



# ANNUAL PERFORMANCE REPORT 2024



# Welcome to SES Water's Annual Performance Report 2024

## Who we are:

We are a local water supplier providing an essential public service while playing an active role in the communities we are privileged to serve.

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# INTRODUCTION



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Despite some challenging external conditions we were able to continue our journey of financial resilience to provide financial stability into next year and beyond.

**Paul Kerr**  
Chief Financial Officer

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At SES Water we continue to stand by our vision to be an outstanding water company that delivers service excellence. We pride ourselves on being a local water supplier playing an active role in the communities we operate in.

Our purpose is to harness the potential of water to enhance nature and improve lives. We believe it is not just our duty to supply water, but to use it as a force for local good.

Our Annual Performance Report should be read alongside our Annual Report and Accounts 2024 which is available on our website.

In this document we set out how we have performed against the performance commitments that we agreed with our regulator Ofwat for the fourth year of our Business Plan for 2020 to 2025 (also referred to as AMP 7). Included in this document are our regulatory accounts and regulatory tables that explain how we have performed as a business over the last 12 months.

The fourth year of AMP 7 has continued to present both operational and financial challenges for the Company. With respect to the latter, the continued increased levels of inflation in the last year have put pressure on our operating and financing costs, with various steps being taken by the Company and its shareholders to maintain financial resilience, while ensuring affordable bills and support continues to be provided to our customers who have faced their own challenge through the cost of living crisis. Operationally we have continued to supply high-quality water with minimal supply interruptions and are, again, succeeding in reducing leakage. Positively we have achieved our targets for over 70% of our Performance Commitments this year (including C-MeX and D-MeX).

Finally, Pennon Group plc acquired 100% of the issued share capital of Sumisho Osaka Gas Water UK Ltd, the holding company of SES Water and other group entities, from our previous shareholders Sumitomo Corporation and Osaka Gas. As a Company, we were pleased that the Competition and Markets Authority (CMA) approved the transaction on 14 June 2024, and we look forward to continuing to deliver for our customers within the overall Pennon Group.

**Paul Kerr**  
Chief Financial Officer  
10 July 2024

# ANNUAL BOARD STATEMENT ON THE COMPANY'S PURPOSE, DIRECTION, ASPIRATIONS AND PERFORMANCE

## EMBEDDING PURPOSE

At SES Water, our ambition is to harness the potential of water to enhance nature and improve lives. We believe it's not just our duty to supply water, but to use it as a force for local good. That's why we are doing all we can to support the communities we serve, whilst protecting and enhancing our local environment.

Our purpose influences everything we do, underpinning what we do and how we do it, both now and in the future. Our company culture is built around our purpose, enabling us to achieve our goals through our people.

Our purpose will be delivered through decisive action. It puts our customers and the environment at the heart of our decision-making, ensuring we create solutions for better lives.

We will continue to invest to deliver an excellent service that's free from interruptions and leaks.

We will bring benefits to the communities we serve, from being a diverse and inclusive place to work to eradicating water poverty. We will inspire the next generation through our education programme, and we will ensure we enhance our local environment and the natural resources we depend on.

And all of this will be achieved whilst continuing to do what we've always done – delivering an essential, resilient service, of the highest quality, all day, every day. For example, in the last year we have:

- Developed our relationships with landowners in preparation for more ambitious catchment and nature-based work
- Encouraged local community groups to improve their water efficiency by providing funding through our Every Drop Counts Community Fund
- Welcomed more than 3,200 teachers and pupils to Flow Zone (our Education Centre)
- Provided training and equipment to the River Mole River Watch, to assist with our environmental monitoring

- We've supported 27 local community events and recorded more than 1,100 conversations with our customers
- Won two gold RoSPA awards for Health & Safety
- Donated more than £20,000 to three local charities, all of which have been chosen on the basis of building meaningful, long-term partnerships

In addition, we have taken part in local job fairs and schools/college career events to continue to raise our profile as part of our early careers and social mobility activity.

Finally, consultation and discussion on purpose, ambition and our associated steps to achieving these goals has been a key part of our ongoing Long-Term Delivery Strategy (LTDS) and PR24 customer research work, to ensure our short- and long-term delivery plans are appropriately aligned.

## DIRECTION AND ASPIRATIONS

As a Board, we work with executive management to ensure that our long-term strategy reflects the views of our customers and other stakeholders. The Board is involved at each stage of the process in developing both short- and long-term plans – from initial customer and regulator engagement, through development of every commitment to the final testing of acceptability with customers. In doing so, each independent non-executive director champions a key theme in our strategy and works with executives in ensuring these themes are underpinning what we do.

We published our Long-Term Delivery Strategy in October 2023 and this complements our shorter-term five-year business plan for delivering a high-quality service to our customers. For 2025 to 2030, our plan is built around four pledges and a series of performance commitments to deliver what matters most to our customers – our aspiration to ensure we maintain their top priority of a continuous supply of high-quality water as well as extra support for vulnerable customers, looking after the environment and helping our local communities thrive.

## PERFORMANCE

Our Annual Report summarises the progress we have made during the fourth year of our Business Plan for 2020 to 2025. It also explains the challenges we have faced, particularly due to the continued high levels of inflation, resultant supply chain and financing costs pressures, together with the plans we have in place to make sure that we meet all our commitments over the next two years.

### KEY HIGHLIGHTS INCLUDED THAT THE COMPANY HAS ACHIEVED:

- The top-ranking company for our water quality, as measured by the Drinking Water Inspectorate
- Maintained our excellent performance for minimising the number of customers contacting us about the taste, smell or appearance of our water, which continues to be significantly better than industry average
- Stayed at or below the maximum allowed level of leakage every year since the target was first set more than 20 years ago, which is industry leading, and once again met our leakage reduction target
- Achieved our supply interruptions target, minimising disruption to our customers of their water supply
- Laid 6.2 kilometres of new main pipe in the past year and progressed a number of key mains replacement schemes across the supply area. This included completing an important scheme on the busy A22 Godstone Road in Purley, directly benefiting 27,000 properties in the Purley area and vastly improving the resilience of the local water supply network
- Three quarters of our customers are already metered and we are looking to provide meters for 90% of our customers by March 2025
- More than 22,000 customers are benefiting from our Water Support Scheme, which provides a 50% bill reduction to eligible people. This means we have surpassed the target we set ourselves for this five-year Business Plan period
- Surpassed this year's target of 80% for vulnerable support scheme helpfulness, with 81% of people

surveyed saying the extra services offered are helpful

- We reduced the volume of connected properties with no billing account to just 2.3% on average across the year
- We achieved our third Biodiversity Benchmark Award from the Wildlife Trusts for part of our Bough Beech water treatment works, while retaining the awards we already have at our Elmer and Fetcham Springs sites. We are the only water company to currently hold the accreditation
- Our vehicle fleet now comprises 43% electric and hybrid vehicles, with each electric car helping to save 2-3 tonnes of CO<sub>2</sub>e per year, as well as reducing the impact on local air quality
- Removed over 60,000 plastic bottles from local community events including Run Reigate, Run Gatwick, the East Surrey YMCA Fun Run, Pride In Surrey and Feasty Fest by supplying water
- We've continued to work with Bore Place, a charity local to our Bough Beech site, and a number of other partners to assess opportunity to develop biodiversity net gain on a landscape scale

The Board reviews the performance of the Company on a monthly basis. To ensure that such reporting represents an accurate and complete set of information on the Company's performance, the Board:

- Relies on the Company's system of internal controls as described in the Governance Report on page 76 in our Annual Report. This internal controls system ensures the production of both internal and external information by management, through an effective control environment, rigorous risk assessment process, accurate information system (which produces both financial and non-financial data), documented control procedures and an overall monitoring system to assess the accuracy and completeness of internally generated data
- Reviews the results of performance against financial and non-financial objectives. This takes the form of direct review and challenge with the executive directors and senior

management in face-to-face sessions with the Board, to understand both historic and forecast performance, and the initiatives in place to ensure the latter remains on track to meet or outperform budgeted objectives

- Invites other employees of the Company to present at Board meetings to hear first-hand (as opposed to through executive management) data and insights into performance in certain areas. In the last year, this included sessions on implementation of our new billing system, health and safety, and leakage plans
- Utilises external parties where necessary to supplement that above work to gain further assurance on the accuracy and completeness of performance data, together with requisite action points. Such assurance is obtained annually from PwC and Mott MacDonald as external auditors on financial and non-financial measures respectively (with NQA verifying our greenhouse gas emissions reporting).

### BEING A RESPONSIBLE BUSINESS

We welcome the robust scrutiny that comes with being in a highly regulated industry that delivers an essential service to the public. As a Board, we place great importance on being transparent about how the Company is owned, managed and financed.

### INFORMATION THAT IS PUBLISHED INCLUDES:

- A customer-friendly online version of our Annual Report, ensuring that our customers know and understand how we are performing and how we spend the money from their bills
- A summary of our Business Plan for 2020 to 2025, which details our five pledges, our 27 performance commitments (including C-MeX and D-MeX) and the activity we will undertake to deliver them, including the part that our customers can play
- A summary of how we manage our water resources, ensuring that we are able to meet the demands of a growing population over the next 100 years and the impact climate change has on our business

- 'Keeping it clear' – an annual easily digestible summary explaining our finances, where money is spent, how bills are set, our simple UK-based ownership structure and the role of the Board
- Our PR24 Business Plan and LTDS
- Our annual gender pay gap report and a summary of what we are doing to close the gap
- Minutes of key governance meetings, including the Board and the Customer and Environmental Scrutiny Panels, available on our website. Such panels also benefit from external chairs and membership
- Key policies – such as our dividends policy and executive pay policy – are available on our website and within our Annual Report.

Further information is set out below on how the Board continues to meet Ofwat's leadership, transparency and governance principles, and how the Company is meeting its legal, statutory and regulatory obligations.

### GOVERNANCE

As a Board, we follow the UK Corporate Governance Code, with some small exceptions that are set out in the Compliance section of our Annual Report, and the Ofwat Principles on Board Leadership, Transparency and Governance. You can find full details about our structure, compliance and corporate governance arrangements in our Annual Report on pages 76 to 86.

Further information is available below on how the Board continues to meet Ofwat's leadership, transparency and governance principles, and how the Company is meeting its legal, statutory and regulatory obligations.

Up to the date of acquisition of the Company by Pennon Group plc, representatives from our previous shareholders – Ken Kageyama and Kenji Oida – were on the Board of SES Water plc. Ken and Kenji resigned at point of acquisition by Pennon Group plc on 10 January 2024. Following the CMA clearance of the acquisition of the Company by Pennon Group plc on 14 June 2024, the following directors from Pennon Group plc were appointed to the Board of SES Water – Susan Davy, Gill Rider and Andrew Garard.

# LEADERSHIP, TRANSPARENCY AND GOVERNANCE

## MEETING OFWAT'S 2019 OBJECTIVES

Ofwat's updated principles on Board leadership, transparency and governance came into force on 1 April 2019. The Board considers that it has met these objectives as summarised below.

Ofwat objective and underlying provisions	Board's view
<p><b>PURPOSE, VALUES AND CULTURE</b> The regulated Company Board establishes the Company's purpose, strategy and values, and is satisfied that these and its culture reflect the needs of all those it serves.</p>	
<p>The Board develops and promotes the Company's purpose in consultation with a wide range of stakeholders and reflecting its role as a provider of an essential public services.</p>	<p>We explain at the start of this annual statement the work that the Board continues to ensure the Company's purpose, strategy and values are clearly established and adhered to throughout the Company. This focus on purpose and reflection of the role of the Board in defining such matters has continued to be considered at all Board meetings, and in particular at our separate Board Strategy Day discussions. In 2023/24, we embedded our purpose through engagement with our colleagues and supply chain partners to provide a thorough understanding of our purpose and how they can help us achieve it through the roles they do.</p>
<p>The Board makes sure that the Company's strategy, values and cultures are consistent with its purposes.</p>	
<p>The Board monitors and assesses values and culture to satisfy thorough understanding of our purpose and how they can itself that behaviours throughout the business is aligned with help us achieve it through the roles they do the Company's purpose. Where it finds misalignment, it takes corrective actions.</p>	
<p>Companies' annual reporting explains the Board's activities and any corrective actions taken. It also includes an annual statement from the Board focusing on how the Company has set its aspirations and performed for all those it serves.</p>	<p>As noted in both our Corporate governance report (in the Annual Report and Accounts 2024), and within this statement, the Board's activities are clearly explained, and we have already included this signed statement to explain the Board's focus on the Company's vision, purposes, aspirations and strategy.</p>

Ofwat objective and underlying provisions	Board's view
<p><b>STANDALONE REGULATED COMPANY</b> The regulated Company has an effective Board with full responsibility for all aspects of the regulated Company's business for the long term.</p>	
<p>The regulated Company sets out any matters that are reserved for shareholders or parent companies (where applicable) and explains how these are consistent with the Board of the regulated Company having full responsibility for all aspects of the regulated Company's business; including the freedom to set, and accountability for, all aspects of the regulated Company strategy.</p>	<p>We have again included disclosures in this year's Annual Report and Accounts 2024 to be transparent about matters reserved for the Board and how the Board of the regulated Company has full responsibility for the regulated Company's business. No matters are reserved solely for shareholders or other holding companies.</p> <p>We have also included disclosure on how the Board has focused on the regulated Company during the recently completed strategic review conducted by our previous shareholders.</p>
<p>Board committees, including but not limited to Audit, Remuneration and Nomination Committees, report into the Board of the regulated Company, with final decisions made at the level of the regulated Company.</p>	<p>As noted in the Corporate governance report, all committees report into the Board of the regulated entity and final decisions are made at the regulated Company level.</p>
<p>The Board of the regulated Company is fully focused on the activities of the regulated Company; takes action to identify and manage conflicts of interest, including those resulting from significant shareholding, and ensure that the influence of third parties does not compromise or override independent judgement.</p>	<p>Our Corporate governance report discusses in detail the focus of the Company Board, and how Board matters are discussed and reviewed utilising the skills and objectivity of the entire Board, with no areas of judgement being compromised by the influence of third parties. This includes the Board's monitoring of directors' interests and transactions with associated companies.</p>

Ofwat objective and underlying provisions	Board's view
<p><b>BOARD LEADERSHIP AND TRANSPARENCY</b> The Board leadership and approach to transparency and governance matters engenders trust in the regulated Company and ensure accountability for their actions.</p>	
Regulated companies should publish the following information in a form and level of detail that is accessible and clear for customers and stakeholders.	We have addressed these matters as follows:
An explanation of Group structure.	Included on pages 76 to 86 of the Annual Report and Accounts 2024.
An explanation of dividend policies and dividends paid, and how these take into account of delivery for customers and other obligations (including to employees).	This is contained within the Directors' report in the Annual Report, and has been updated for comments received from Ofwat in respect of clearer explanations for the quantum of – and reasons for – dividend payments. There were no dividends payable for 2023/24.
An explanation of the principal risks to the future success of the business, and how these risks have been considered and addressed.	This is contained within the 'Principal and emerging risks' section of the Annual Report and Accounts 2024.
The Annual Report includes details of Board and Committee membership, number of times met, attendance at each meeting and where relevant the outcome of votes cast.	We have included these matters within our current Corporate governance and Committee reports in the Annual Report and Accounts 2024.
An explanation of the Company's executive pay policy and how the criteria for awarding short and long-term performance related elements are substantially linked to stretching delivery for customers and are rigorously applied. Where directors' responsibilities are substantially focused on the regulated Company and they receive remuneration for these responsibilities from elsewhere in the Group, policies relating to this pay are fully disclosed at the regulated Company level.	These matters relating to executive pay policy are included within our current Remuneration Committee report in the Annual Report and Accounts 2024. The remuneration policy presented continues to reflect feedback received from Ofwat recently with respect to weighting of environmental responsibilities within executive pay.
<p><b>BOARD STRUCTURE AND EFFECTIVENESS</b> Board and its committees are competent, well run and have sufficient independent membership, ensuring they can make high-quality decisions that address diverse customers and stakeholder needs.</p>	
Board and Board committees have appropriate balance of skills, experience, independence and knowledge of the Company. Boards identify what customer and stakeholder expertise is needed in the Board room and how this need is addressed.	As noted in our Corporate Governance and Nomination Committee reports in the Annual Report and Accounts 2024, we believe that the Board and its committees have the appropriate balance of skills, experience and independence, together with knowledge of the Company and customer expectations.
Independent non-executive directors are the largest single group in the Board.	We adhere to this provision.
The Chair is independent of management and investors on appointment and demonstrates objective judgement throughout their tenure. There is an explicit division of responsibilities between running the Board and executive responsibility for running the business.	As noted in our Corporate governance report, our new Chair – Dave Shemmans – was independent upon appointment.
There is an annual evaluation of the performance of the Board. This considers the balance of skills, experience, independence and knowledge, its diversity, how stakeholder needs are addressed and how the over-arching objectives are met, the approach is reported in the Annual Report and any weaknesses are acted on and explained.	As described in our Corporate governance report within the Annual Report and Accounts 2024, an evaluation of Board effectiveness is performed every year. In 2023/24, an internal Board effectiveness review was conducted, the results of which are documented in the Annual Report and Accounts 2024.
There is a formal, rigorous and transparent procedure for new appointments which is led by the Nomination Committee and supports the overarching objective.	We adhere to a rigorous appointment procedure for new directors as noted in our Nomination Committee report within the Annual Report and Accounts 2024.
To ensure there is a clear understanding of the responsibilities attached to being a non-executive director in this sector, companies arrange for the proposed, final candidate for new non-executive appointments to the regulated Company Board to meet Ofwat ahead of a formal appointment being made.	We continue to apply this provision.
There is a majority of independent members on the Audit, Nomination and Remuneration Committees and the Audit and Remuneration Committees are independently led.	We adhere to this provision.

# LEADERSHIP, TRANSPARENCY AND GOVERNANCE CONTINUED

## CONSIDERATION OF OFWAT'S RECENT BOARD LEADERSHIP, TRANSPARENCY AND GOVERNANCE REPORT

Ofwat's latest formal BLTG report was issued in February 2021 and, while the Company was only mentioned once in report (in connection with enhanced LTIP disclosures as noted below), the Board considered the guidance provided by Ofwat and addressed the pertinent items that apply to SES Water as follows:

Areas for improvement and focus	Board's view
<b>PURPOSE, VALUES AND CULTURE</b>	
Focus on the impact of purpose and of it being embedded/aligned through the Company's strategy, values and culture.	The Board has continued its focus on purpose and embedding this into the Company's culture as noted at the start of this Annual Performance Report.
<b>STANDALONE REGULATED COMPANY</b>	
Continue to be clear on matters reserved for the Board, and clearly explain how the regulated Company Board has full responsibility for all aspect of its business for the long-term.	The Board has formally reviewed these reserved matters again in 2023/24 and continues to be fully responsible for all regulated Company matters as documented in the Corporate governance report in the Annual Report and Accounts 2024.
Be clear on the policies in place to identify conflicts of interest for individual Board members, and consider what action may be needed should a situation arise where there could be a conflict with interest outside of the regulated Company.	While no conflicts of interest have been noted in 2023/24, the Corporate governance report within the Annual Report and Accounts 2024 continues to document the policy for conflicts of interest for individual Board members.
<b>BOARD LEADERSHIP AND TRANSPARENCY</b>	
Specifically, for SESW, update the LTIP reporting to be clear on the linkage to delivery for customers. Be clear about how the metrics chosen incentivise stretching performance delivery for customers.	This linkage between LTIP incentivisation and customer delivery was strengthened in the prior year executive pay policy as documented in the Remuneration Committee report within the Annual Report and Accounts 2024.
Ensure there is an adequate explanation as to how the dividend policy was actually used in decision-making on whether or not to declare dividends, and for dividends declared, how the amount was decided.	An explanation on application of our dividends policy for 2023/24 is provided in the Directors' report within the Annual Report and Accounts 2024.
Ensure transparency of Group structure, ensuring it is easy to find structure diagrams on the website. Structure diagrams also need to address the 'why' of structures as well as the 'what' of structures.	Our Group structure continues to remain straightforward as documented on pages 76 to 86 of the Annual Report and Accounts 2024, with an explanation provided of the 'why' for key entities in the structure. As noted in the Annual Report and Accounts, upon acquisition by Pennon Group plc on 10 January 2024, our previous shareholder representatives (Ken Kageyama and Kenji Oida) resigned from the Board.
<b>BOARD STRUCTURE AND EFFECTIVENESS</b>	
Continue to be clear on independence of Board members, including the Chair, especially where parent and regulated companies Board membership overlaps.	The Corporate governance report within the Annual Report and Accounts 2024 continues to document the status of the independence of our directors, including those involved on the Board of our main Group entity, East Surrey Holdings Limited and with effect, from 14 June 2024 those from Pennon Group plc, the Company's new shareholder.
Continue with external Board effectiveness exercises, revisiting recommendations from prior evaluation and actions taken.	We continue to utilise a third party when appropriate to perform an external board effectiveness review, as documented in the Corporate governance report within the Annual Report and Accounts 2024, with prior year recommendations also revisited.
Consider diversity in the broadest sense when making decisions relating to the membership of boards/committees, ensuring the Company is equipped to make decisions that meet the needs of all employees.	We have published an updated equality, diversity and inclusion policy in 2023/24, after review and consideration by the Board, which will enable further advance of diversity throughout the business.

Approved by the Board of Directors on 10 July and signed on its behalf by:



**Paul Kerr**  
Chief Financial  
Officer

# CUSTOMER FOCUSED LICENCE CONDITIONS

In February 2024, Ofwat introduced a new condition in the licence of each water company in England and Wales, which set new standards for customer care and support. Companies can be fined up to 10 per cent of their annual turnover if they fall short of these standards.

The licence condition is based on six principles, set out below.

## 1. PROACTIVE COMMUNICATIONS

**Principle:** The Appointee is proactive in its communications so that its customers receive the right information at the right time, including during incidents.

We use multiple channels to help us reach as many customers as possible with our proactive communications so they are well-informed about all aspects of their service. These range from contacting customers directly via email or letter with more tailored and personalised information to using several social and traditional media channels to share our wider messaging.

We run awareness campaigns on topics like water efficiency and support available for customers who need extra care, utilising customer data to help target and tailor our approach. These roll out across different channels to maximise exposure and reach.

Where possible, we endeavour to speak to customers face-to-face, including one-to-one visits, attendance at community events and visiting job centres, food banks and community hubs.

We publish information about the support schemes we offer on our website, social media channels, customer emails, bills, and printed on our envelopes, while also utilising our partners' channels to help extend our reach even further.

During water supply outages, we update our website and social media channels and put a recorded message on our telephone system (when appropriate) so that customers who prefer to call can receive the latest information even before they speak to an agent.

Customers can also register for automatic updates on our interactive In Your Area map.

For more severe incidents, we also direct emails, SMS messages, hand-deliver letters to affected residents and liaise with local councillors and MPs to help keep people up-to-date.

We also provide extra support, including home visits and deliveries of bottled water, to customers on our Priority Services Register (PSR). Our smart water network allows us to identify the location of a burst and the area affected more quickly so we can mobilise our customer teams and identify customers who may need more support.

When delivering planned engineering works, we provide affected customers with information in advance, and for more disruptive schemes we work with the local community on how best we can deliver them.

### NEXT STEPS

In future, we will revamp our website to help customers find information and manage their account more easily and use Artificial Intelligence (AI) to help us deliver tailored communications to customers, about day-to-day queries and incidents.

## OUR WATER SUPPORT CAMPAIGN

In spring 2023 we ran a targeted campaign to increase customers' awareness of the 50% bill discount we offer on our Water Support tariff. Our campaign reached more than 272,000 people by email and social media and led to more than 4,000 website visits. We also developed a toolkit for local community partners to use with their service users. Within two months, almost 2,000 customers registered for Water Support – compared to an average of just over 250 during the previous two months.

## 2. EASE OF CONTACT

**Principle:** The Appointee makes it easy for its customers to contact it and provides easy-to-access contact information.

Details of how to contact us are displayed on our website and on water bills. This includes email addresses, social media channels, phone numbers, face-to-face locations and postal address. Customers can self-serve to pay bills, submit meter readings and see how much water they use via our online My Account platform. In an emergency, customers can call us 24/7, 365 days a year.

Our website has an inbuilt accessibility tool, ReciteMe, which allows users to access a screen reader, translate the information into more than 100 languages and enlarge the text.

### NEXT STEPS

We will introduce new contact channels such as live chat, which customers have told us would be useful. Our customer service agents will have access to new technology to help them determine the best next action to take when customers contact us.

## INTRODUCING SIGNVIDEO

In September 2023 we introduced SignVideo, which allows customers who use British Sign Language to speak to us via a translator or speak to us via a live chat. The service is available 24/7, so customers can contact us in an emergency. Previously, customers who are deaf or hard of hearing would have to ask a friend or family member to speak to us on their behalf.

# CUSTOMER FOCUSED LICENCE CONDITIONS CONTINUED

### 3. SUPPORT WHEN THINGS GO WRONG

Principle: The Appointee provides appropriate support for its customers when things go wrong and helps to put things right.

Our Customer Care team aims to resolve any issue immediately through a number of different actions:

- Cross training our teams to support on a wider range of topics so queries can be answered on one call without handing off to other departments
- Encouraging all colleagues to highlight potential issues through our #wehatecomplaints campaign, so we can address them before they become a problem
- Regularly reviewing what our customers are telling us isn't good enough through a dedicated 'Monday Blues' cross Company forum
- Tailoring our contact to customers' preference where possible, working to ensure our data is as accurate as possible and building a complete picture of our customer for as long as we are their supplier.

To help us rectify issues before they become complaints, we encourage employees to flag potential issues so our senior management team can review these, alongside negative comments received from customers.

If issues can't be rectified, we will raise the complaint for further investigation and action. We aim to respond within 10 working days and will keep customers up to date with our progress while they wait. If we can't resolve the problem, we can conduct an internal review to make sure we did our best.

In July 2023, we updated our online complaints form so customers can tell us if they would like us to reply by phone or email, and what they would like us to do to resolve their complaint. Our complaints procedure is available on our website, so customers understand the process.

#### NEXT STEPS

We will further increase the amount of customer contacts we resolve first-time, by sharing data internally and building integrated teams to resolve customers' queries at the first point of contact, and harness data and research to drive down complaints.

### WORKING WITH CCW

Working closely with customer regulator CCW, we have analysed the root cause of complaints and identified areas we need to improve, including contacting customers proactively about known issues and making sure customers understand our complaints procedure. We continually learn from other water companies that perform well in this area.

### 4. LEARNING FROM EXPERIENCE

Principle: The Appointee learns from its own past experiences and shares these with relevant stakeholders. The Appointee also learns from relevant stakeholders' experiences and demonstrates continual improvement to prevent foreseeable harm to its customers.

We monitor how we are performing for our customers in several ways and use what we learn to drive improvements. In addition to analysis of our quarterly C-MeX results, we routinely conduct post-call surveys to gather immediate feedback and carry out root cause analysis of unwanted and repeat contacts and complaints.

Each quarter, we carry out a Voice of the Customer survey, covering topics including our vulnerability support, clarity of bills and whether customers feel we offer value for money. Furthermore, following water supply incidents, we ask all affected customers, including those on the Priority Services Register, for their feedback so we can identify lessons learned.

This process is helping us understand where things are going wrong (and right), identifying key themes and trends, and where different types of customers may have specific needs that we need to address. We use this insight to help us replan the customer journey and design-out areas that are causing issues so we can deliver a smoother service that reflects the needs of all our customers.

We regularly meet with local councillors, MPs and CCW to listen to their feedback and use it to shape our policies and customer communications. We also work with organisations that represent customers who may have additional needs to help us design inclusive services and policies and communicate better with their service users. Our Customer Scrutiny Panel advises and challenges us as we deliver change and monitors our performance, reporting annually on our progress.

#### NEXT STEPS

Over the coming year we will be making improvements to our bill design, customer communication methods and the home move process, using insight from our customers and stakeholders.

### OUR CUSTOMER-LED INCIDENT RESPONSE

We've changed how we manage our response to water supply incidents, moving from a typical operations-led approach to one where our customer team takes the lead.

In February 2024, a large water main burst overnight in Gatton Park Road, Reigate, flooding 19 properties. Our operations team was able to focus on quickly isolating the burst water main and restoring tap water supplies while our customer team worked hard on the ground to keep affected customers up-to-date and support those who needed extra support.

Members of our customer care, insurance and Executive Team teams were available on-site for several weeks, while we also updated customers via social media and website updates, liaised with local councillors and delivered weekly update letters.

## 5. UNDERSTANDING AND SUPPORTING CUSTOMERS

Principle: The Appointee understands the needs of its customers and provides appropriate support, including appropriate support for customers in vulnerable circumstances, including during and following incidents.

We pride ourselves on our “equal service for all” approach which was developed alongside customers and community representatives. This shapes how we provide information, the training we give our employees and how we develop and implement our policies.

More than 160 employees have received Dementia Friends training, and many are trained to help customers who contact us about a bereavement or who have additional needs. Our Extra Care team also offers home visits for customers who cannot come to our office due to a disability, health condition or other vulnerability.

Our dedicated community support team helps customers in a range of circumstances and works with partners such as Age UK, the Orpheus Centre and the Lucy Rayner Foundation to enhance our understanding of how to help customers who need extra support.

Last year more than 150 of our colleagues volunteered a day of their time, through the Company 'Give A Day' scheme towards helping a local charity or community group. Overall in 2023-24 we provided 918 hours of volunteering.

### NEXT STEPS

We will work more closely with local charities and community partners to help us be more proactive when supporting customers with additional needs or who may be struggling to pay their bill. We will share data with more trusted organisations, to help us identify more customers who may need our help.

## DATA SHARING WITH UKPN

In April 2023, we began sharing our Priority Service Register with UK Power Networks, to help us identify customers who may need extra support. Instead of having to register separately for each utility, customers now only need to contact one company to receive emergency help during a gas, water or electricity outage. Following this initiative, the number of customers on our Priority Services Register increased by 36% in one year.

## 6. FINANCIAL SUPPORT

Principle: The Appointee provides support for its customers who are struggling to pay and for customers in debt.

Our Here For You programme encompasses our Priority Services Register and financial support tariffs. Depending on their circumstances, customers may be able to have their water bill deducted from their benefit payments, have their metered bill capped or receive a 50% discount on their bill. Many customers also benefit from payment holidays or flexible payment plans.

Under our trusted partner scheme, some charities, housing associations and local authorities can apply for our support services on a customer's behalf. We also refer customers to specialist debt support, where needed.

### NEXT STEPS

By 2025, we'll give 3,000 more customers a 50% bill discount via our Water Support tariff - bringing the total up to 25,000 - while tailoring our support more to make sure we're helping those who need it most. Our smart metering programme will give customers more frequent access to their billing data, enabling us to offer even greater support to keep their bills low.

## TARGETING OUR SUPPORT

We are using demographic data to help us target our Here For You programme to those who need it most, and reach those who aren't currently receiving support. By looking at the geographical areas where customers are likely to be less affluent, receiving benefits or already on one of our support tariffs, we can boost awareness and take-up of our support schemes.

# STATEMENTS OF THE DIRECTORS TO THE WATER REGULATION AUTHORITY

## CONDITION P UNDERTAKING - ACQUISITION BY PENNON

Pennon Group plc, in its capacity as the ultimate parent company of the Company, has confirmed that with effect from completion of the Pennon Acquisition, that:

- It had been briefed on the Company's duties under the Water Industry Act 1991 and the licence;
- It was aware of and would comply with the terms of its Condition P Undertaking, including:
  - Its obligation to provide all such information may be necessary to enable the Company to comply with the requirements of the conditions of its appointment as a water undertaker; and
  - It would refrain from any action which would cause the Company to breach any of its obligations under the Water Industry Act 1991 or the conditions of its appointment as a water undertaker;
  - It would provide the Company with the information it needed to assure itself that the Company is not at risk from the activities of the wider Company's group;
  - It would disclose to the Company details of any issue identified by its Directors in respect of the wider Company's group that might have materially impacted upon the Company so that the Company could take all appropriate steps;
  - It would facilitate the ability of the Company to meet the requirements of its Code of Corporate Governance; and
  - It would support the Company's ability to make strategic and sustainable decisions in the long-term interests of the Company.

Pennon Group has confirmed in its capacity as the ultimate parent company of the Company with effect on and from 10 January 2024 that for so long as it remains the ultimate controller and the Company retains its appointment as a water undertaker:

- It will give to the Company and will procure that each of its subsidiaries (other than the Company and its subsidiaries) will give to the Company all such information as may be necessary to enable the Company

to comply with its obligations under the Water Industry Act 1991 or the conditions of the Company's instrument of appointment as a water undertaker; and

- It will refrain, and will procure that each of its subsidiaries (other than the Company and its subsidiaries) will refrain, from any action which would or may cause the Company to breach any of its obligations under the Water Industry Act 1991 or its instrument of appointment as a water undertaker

Cognisant of the above overriding responsibilities of Pennon Group plc, the SES Water Board have provided the following Certificate of Adequacy for the Company:

### (1) CERTIFICATE OF ADEQUACY INCLUDING STATEMENT ON SUFFICIENCY OF FINANCIAL RESOURCES AND FACILITIES

Under Condition P of the Company's licence, the directors of the Company are required to provide a certificate stating that in the opinion of the Board of Directors (the 'Board'), the Company will have sufficient resources to enable it to carry out its regulated activities, for at least the 12 month period following the date on which the certificate is submitted to Ofwat. PwC, as our external auditor, provides third party assurance with respect to the financial and resources section of this certificate in its associated external audit opinion.

### CERTIFICATE

The directors certify that in their opinion:

- The Company will have available to it sufficient financial resources and facilities to enable it to carry out, for at least the next 12 months, the regulated activities (including the investment programme necessary to fulfil its obligations under the Appointment)
- The Company will, for at least the next 12 months, have available to it management resources and methods of planning and internal control which are sufficient to enable it to carry out those activities
- All contracts entered into with associated companies include all necessary provisions and requirements concerning the standard of services to be supplied to the Company, to ensure that it is able to meet its obligations as a water undertaker.

## EVIDENCE CONSIDERED BY THE BOARD

In providing this certificate, the directors have taken into account the following evidence:

### FINANCIAL RESOURCES AND FACILITIES

- The budget and capital expenditure programme for 2024/25 approved by the Board, together with forecast expenditure to July 2025
- The assessment of financial resilience provided by management supporting the Going Concern statement set out in the Annual Report and Accounts 2024.

This included:

- An assessment of the Company's current and projected liquidity
- The continued use of the new £65m revolving credit facility (RCF) (the previous £75m combined RCFs being refinanced on 12 June 2024 with an expiry date of 12 December 2025) and a further £1m bank overdraft
- Expected ongoing compliance with the financial covenant ratios associated with the Company's long-dated bond and private placement notes
- Available headroom under the long-dated bond and private placement notes covenants to facilitate seeking additional debt
- Stress-testing of the above headroom, including the continuing effects of inflation increases on the Company and customers
- The Company's performance for the first four years of the PR19 Final Determination and the possible need for additional support to address adverse variances in revenues and operating costs
- The continued investment grade quality of the Company's credit
- Our ultimate shareholder's (Pennon Group plc) letter of support covering up to 31 Dec 2025 which provides for equity support to address gearing and operational matters plus coverage of any plausible downside risks.

Based on the evidence reviewed and challenged by the Board as noted above, the Board is satisfied that the Company will have available to it sufficient financial resources and facilities to enable it to carry out, for at least the next 12 months, its regulated activities (including the investment programme necessary to fulfil the Appointee's obligations under the Appointment).

### MANAGEMENT RESOURCES

- The reviews, conducted through the Nomination Committee, of senior management performance, skills and experience and the CEO's views of the development required to enhance this skillset
- The Company's recruitment policy and reports on staff engagement
- The annual review presented by the CEO to the Nomination Committee of succession planning for key management and staff
- Reports, via the monthly Board performance report, of various people matters, including staff turnover, training courses, online learning, induction programmes and learning and development being provided to the staff
- Review and approval of the Company's Code of Conduct and Business Ethics and processes for ensuring diversity
- Reports, via the monthly Board performance report, on key projects (including business-wide systems and capital projects) and associated resource levels to deliver these projects
- Ongoing review of the composition and independence of the Board, to ensure management is effectively supported throughout the year, noting in particular the appointment to the Board of the three Pennon representatives on 14 June 2024.

Based on the evidence reviewed and challenged by the Board as noted above, the Board is satisfied that the Company will, for at least the next 12 months, have available to it management resources which are sufficient to enable it to carry out its regulated activities. In addition, Pennon has indicated that while it will be undertaking integration activities, these are not expected to adversely affect the management resources available to the Company to undertake its regulatory activities.

### SYSTEMS OF PLANNING AND INTERNAL CONTROL (INCLUDING RISK MANAGEMENT)

- The overall risk management framework and oversight processes, as detailed in the Company's Compliance Code
- Review of the Company's risk register and mitigating actions every six months
- Review and approval for the 2024/25 internal audit programme developed by management, and review of actions arising and mitigation next steps
- External control reports provided by PwC, including reports on information technology general controls
- Management's business continuity plans, including water resource plans and system-based resilience plans
- The planning underpinning the sound overall operational performance in the first four years of AMP 7
- The Company's Code of Conduct and Business Ethics, which details policies to prevent fraud and other unethical behaviour, and the Company's whistleblowing policy (updated for recent Ofwat guidance).

Based on the evidence reviewed and challenged by the Board as noted above, the Board is satisfied that the Company will, for at least the next 12 months, have available to it methods of planning and internal control which are sufficient to enable it to carry out those activities.

### RIGHTS AND RESOURCES OTHER THAN FINANCIAL RESOURCES

- Regular reports to the Audit Committee on the status of the Company's information and operational technology
- Reports - via the monthly Board performance report - on access to water resources, the status of the Company's network and treatment facilities, cyber-security matters, levels of proactive and reactive maintenance levels, and treatment work outages
- Reports on the Company's insurance renewals and coverage levels
- Reports via the monthly Board performance reports on the status of key contracts, in particular contracts with key suppliers associated with the capital programme, including mitigation of risks to deliverability of significant capital projects.

Based on the evidence reviewed and challenged by the Board as noted above, the Board is satisfied that the Company will, for at least the next 12 months, have available to it rights and resources other than financial resources which are sufficient to enable it to carry out its regulated activities.

### CONTRACTING

- Reports by management on adherence between the Appointee and all associated companies on compliance with licence requirements on standards
- Reports from management, via the monthly Board performance report, on the status of intercompany balances and transactions between the Appointee and any associated company
- Ensuring compliance with licence provisions on cross-subsidies between the Appointee and any associated company (Condition P)
- Confirming - via the regular Board meeting with executive management present - that no guarantees or cross-default obligations are given without Ofwat's written consent.

Based on the above evidence, the Board is satisfied that all contracts entered into with associated companies include all necessary provisions and requirements concerning standard of services to be supplied by the Company, to ensure that it is able to meet its obligations as a water undertaker.

### MATERIAL ISSUES OR CIRCUMSTANCES

Since accepting the Final Determination (FD) for the 2020 to 2025 regulatory period, the Company has faced significant financial challenges primarily arising from the ongoing high-inflation environment adversely impacting core areas of expenditure. These cost pressures have included:

- Escalating prices associated with the chemicals we purchase for the process of water treatment at our works locations. In particular, this cost pressure has included the cost of chemicals we use to soften water at our treatment works to meet statutory regulations
- Increasing costs of capital-based expenditure, including the cost of infrastructure materials and labour, to complete major network and works projects

# STATEMENTS OF THE DIRECTORS TO THE WATER REGULATION AUTHORITY CONTINUED

- Increased energy costs associated with the transportation of water around our network. While, due to effective price hedging, we have been shielded from recent energy price increases, increased pumping costs associated with ensuring continuity of water supplies during the recent droughts have been significant.

In addition, the Company has faced working capital pressures due to lower than expected cash collections from customers (and therefore an increasing bad debt expense) as cost of living matters impact customers, despite the vulnerability support we have provided

We expect these escalating cost pressures and bad debt matters to continue for the remainder of AMP 7 and beyond.

The historic financial structure of the Company is dominated by a long-dated (30-year) retail price inflation (RPI) linked bond issued in 2001. Recent periods of high inflation have resulted in the amount payable by the Company under this bond increasing due to recent sharp RPI increases, resulting in increasing gearing levels, despite inflation increases to our Regulatory Capital Value (RCV) (with RCV increasing based on the lower CPIH index). Combined with the higher inflation-based pressures on collection of revenues and operational and capital expenditure levels, the increased gearing has reduced the headroom available to incur additional debt within the business in the future.

Therefore, to support the Company in addressing the financial challenges noted above and given the recent approval by the CMA on 14 June 2024 of Pennon Group plc's acquisition of the Company, the Company's shareholder (Pennon Group plc) has provided a Letter of Support for the next 18 months to December 2025.

The Letter of Support provided by the ultimate shareholder provides equity support to address gearing and operational matters plus coverage of any plausible downside risks.

With the ultimate shareholders' support, and with specific regard to

the material issues or circumstances disclosed in this certificate, in the directors' opinion the Company will have available to it sufficient financial resources and facilities to enable it to fund the regulated activities necessary to fulfil the Appointee's obligations under the Instrument of Appointment for the next 12 months.

Beyond the next 12 months, through a combination of the continued support of the shareholder, the Company's financing plans in the coming year (including further injection of equity) and further financing arrangements to be determined following the recent CMA approval of a change of ownership, the directors consider that sufficient financial resources and facilities will be in place to fulfil the Appointee's obligations under the Instrument of Appointment.

The directors recognise that should they become aware of any circumstances which would change their opinion on the items set out in this certificate, or other matters, that meant they would not give the opinion contained in his certificate or which would materially affect the Company's ability to carry out its regulated activities, the Company must inform Ofwat of this.

In the production of this certificate of adequacy, the Board considered the information and evidence collected as detailed above, and whether this evidence was sufficient to provide the forward-looking basis for this certificate.

The Board considered the completeness and quality of this evidence, the balance between the external and internal level of evidence and the views of all executive and non-executive directors in making their decisions to provide this certificate.

As specified in Condition P, PwC, the Company's external auditor, has issued a separate opinion in relation to the directors' consideration of the sufficiency of financial resources and facilities within this certificate of adequacy to Ofwat, as noted on page 10 of this Annual Performance Report. PwC's opinion does not relate to any consideration of the sufficiency of

management resources, sufficiency of methods of planning and internal control or whether contracts entered into with any associated company include all necessary provisions and requirements concerning the standard of service to be supplied to the customer.

## (2) STATEMENT ON SUFFICIENCY OF NON-FINANCIAL RESOURCES

The directors confirm on page 111 of the Directors' report in the Annual Report and Accounts 2024 that as at 31 March 2024 the Company was in compliance with paragraph 14 of Condition P of its Instrument of Appointment, ensuring that the Company has sufficient rights and assets available to enable a special administrator to run the business.

## (3) RISK AND COMPLIANCE STATEMENT

The Company provides an essential service to its customers. The quality and availability of water are our customers' highest priorities.

To ensure a continued supply of high-quality drinking water, we are required to meet a number of regulatory and legal obligations.

The directors confirm that in their opinion the Company:

- Has a full understanding of all its relevant statutory, licence and regulatory obligations
- Is meeting all its relevant statutory, licence and regulatory obligations
- Has taken steps to understand and meet the expectations of its customers
- Has satisfied itself that it has sufficient processes and internal systems of control to fully meet its obligations
- Has appropriate systems and processes in place to allow it to identify, manage, mitigate and review its risks.

In preparing the statements above, the directors note that:

## STATUTORY, LICENCE AND REGULATORY OBLIGATIONS

- The Company has a Compliance Code in place (available on its website and distributed to all employees) which is reviewed annually and an internal audit is carried out to confirm

compliance, including compliance with the requirement to trade with associates at arm's length

- Assurance has been provided that the Company has available to it sufficient financial and non-financial resources, as per the requirement in the Company's Instrument of Appointment
- The Company's regulatory accounts confirm that the Company maintains an investment grade credit rating
- Required regulatory disclosures have been made below
- The independent auditor's report from PricewaterhouseCoopers LLP (available on pages 116 to 122 of the Annual Report and Accounts 2024) confirms that the Strategic and Directors' reports, included within this Annual Report and Accounts 2024, have been prepared in accordance with the Companies Act 2006 and the information contained within them is consistent with the financial statements.

#### EXPECTATIONS OF CUSTOMERS

- The Board receives reports on feedback from customers. The Company has talked directly to customers about their views on Company performance both now and what they want to see in the future through our online community, a regular telephone and online survey, targeted engagement for our Business Plan submission, through our education activity and through daily contact with customers both over the five-year plan built around the five aims described in our performance report which reflect customers' expectations to maintain or improve levels of service
- Over the year, c70% of our commitments under the five aims in our Business Plan have been met, as summarised on pages 22 to 33 in the Annual Report and Accounts 2024
- The Board meets regularly to review Company performance and receives monthly performance

information, enabling it to challenge the executive team

- The Company has a Customer Scrutiny Panel whose duties include advising, scrutinising and challenging the Company in its development of plans for meeting their customers' priorities, including encouraging the Company to consider the environment and wider society in a customer context and the panel's activity over the year is reported on pages 57 to 58 in the Annual Report and Accounts 2024
- The Company's technical advisor, Mott MacDonald, has provided a statement, available on the Company's website, on the Company's compliance with its requirements on reporting of performance and cost assessment data in the Annual Report and Accounts 2024, which also reflects the financial support being provided by Pennon Group plc following their acquisition of the Company.

#### PROCESSES AND SYSTEMS OF CONTROL

- The Company operates a system of internal control, described on page 81 of the Corporate governance report in the Annual Report and Accounts 2024, that meets the requirements of the UK Corporate Governance Code
- Reporting processes are accredited to the International Standard ISO 9001:2015 Quality Management Systems
- The Company's voluntary monitoring framework is available on the Company's website.

#### IDENTIFYING, MANAGING AND MITIGATING RISKS

- Risk management is embedded in the company culture and the monitoring and control systems in place include a twice-yearly review of risks and mitigating actions by the Audit Committee
- Consideration of the financial and operational impact of a range of

severe but plausible risks is carried out by the Audit Committee with the current risks and mitigations described on pages 90 to 94 of the Audit Committee report of the Annual Report and Accounts 2023

- The Board is aware of its obligation to highlight any material emerging or existing risks to Ofwat in a timely manner
- The financial and operational viability of the Company out to 2034 has been considered and is described in the long-term viability statement on pages 76 to 86 in the Corporate governance report of the Annual Report and Accounts 2024, which also reflects the financial support being provided by Pennon Group plc following its acquisition of the Company.

#### (4) ADDITIONAL REGULATORY DISCLOSURES

The remuneration policy of directors and how this was applied in the year to 31 March 2024 is explained on pages 97 to 109 in the Remuneration Committee report of the Annual Report and Accounts 2024.

Each Director confirms on page 114 in the directors' report that the requirement in relation to provision of information to the Company's auditor has been met.

The dividend policy for the appointed business and how it has been applied is outlined in the Directors' report on page 111 of the Annual Report and Accounts 2024.

The tax strategy for the appointed business is the same as the strategy outlined for the Company on pages 82 to 86 in the Corporate governance report in the Annual Report and Accounts 2024.

The long-term viability statement is included in the Annual Report's Corporate governance report on page 84.

Approved by the Board of Directors on 10 July and signed on its behalf by:



**Paul Kerr**  
Chief Financial  
Officer

# STATEMENTS OF THE DIRECTORS' RESPONSIBILITIES FOR REGULATORY INFORMATION

Further to the requirements of company law, the directors are required to prepare accounting statements which comply with the requirements of Condition F of the Instrument of Appointment of the Company as a water and sewerage undertaker under the Water Industry Act 1991 and Regulatory Accounting Guidelines issued by Ofwat.

## THIS REQUIRES THE DIRECTORS TO:

- Confirm that, in their opinion, the Company has sufficient financial resources and facilities, management resources and systems of planning and internal controls. The directors have issued a certificate under Condition P of the licence – see pages 10 to 12.
- Confirm that, in their opinion, the Company has contracts with any associated company with the necessary provisions and requirements concerning the standard of service to be supplied to ensure compliance with the Company's obligations as a water undertaker. The directors have issued a certificate under Condition P of the Licence – see pages 10 to 12.
- Report to Ofwat changes in the Company's activities, which may be material in relation to the Company's ability to finance its regulated activities. The directors hereby confirm that there were no changes in the Company's activities, which may be material in relation to the

Company's ability to finance its regulated activities, during the year ended 31 March 2024.

- Undertake transactions entered into by the appointed business, with or for the benefit of associated companies or other businesses or activities of the appointed business, at arm's length. This has been confirmed within Information in respect of transactions with any other business or activity of the appointee or any associated company' on page 76.
- Keep proper accounting records, which comply with Condition F. The directors of the Company hereby confirm that the Company has kept proper accounting records, which comply with Condition F.

These responsibilities are additional to those already set out in the Sutton and East Surrey Water Plc statutory financial statements that can be viewed in the Annual Report and Accounts 2024.

In addition, paragraph 14 of Condition P of the Instrument of Appointment requires directors to confirm that, in their opinion, the Company has sufficient rights and resources, which would enable a special administrator to manage the affairs, business and property of the Company.

In the opinion of the directors, the Company was in compliance with paragraph 14 of Condition P at the end of the financial year and this has been confirmed in the certificate on pages 10 to 12 of the Annual Performance Report.

## DISCLOSURE OF INFORMATION TO THE AUDITOR

### EACH OF THE PERSONS WHO IS A DIRECTOR AT THE DATE OF APPROVAL OF THIS REPORT CONFIRMS THAT:

- So far as he or she is aware, there is no relevant information of which the Company's auditor is unaware and
- He or she has taken all the steps that he/she ought to have taken as a director in order to make himself/ herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given, and should be interpreted, in accordance with the provisions of section 418 of the Companies Act 2006.

Approved by the Board of Directors on 10 July and signed on its behalf by:



**Paul Kerr**  
Chief Financial  
Officer

# BOARD STATEMENT ON ACCURACY AND COMPLETENESS OF DATA AND INFORMATION FOR THE YEAR ENDED 31 MARCH 2024

The SES Water Board is accountable for the quality of the information provided on the Company's performance to various stakeholders and appreciates the criticality of transparency on how businesses such as SES Water, which deliver essential public services, are run. The Board has taken seriously the previous recommendations by Ofwat contained within its Board Leadership, Transparency and Governance objectives, and has continued to publish additional information to enhance transparency of information within the Annual Performance Report, supplemented by the Company's 'Keeping it clear' documents.

The SES Water Board confirms that the data and information which the Company has provided to Ofwat in the reporting year and which we have published in our role as a water undertaker is accurate and complete.

The Board considers that the Company has applied its processes and internal systems of control in a manner that has enabled it, to the extent that it is able to do so from the facts and matters available to it, to identify material departures from the obligations within this document. The Board does not consider that any material departures have been identified in the year ended 31 March 2024.

In making the above statement, the Board has carried out the following activities to satisfy itself on the accuracy and completeness of the data and information issued by the Company in the year:

## AN EFFECTIVE SYSTEM OF INTERNAL CONTROLS

Complete and accurate data and information relies upon an effective system of internal controls for the Company. The directors acknowledge that they are responsible for the Company's system of internal control and for reviewing its effectiveness.

Such a system is designed to manage rather than to eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement.

The Board has reviewed the effectiveness of the Company's system of internal control, including control of financial, operational, and compliance matters and risk management.

## IT CONFIRMS THAT THE COMPANY HAS COMPLIED WITH ITS OWN SYSTEM OF INTERNAL CONTROLS, DETAILED BELOW,

- There is an ongoing process for identifying, evaluating and managing the principal and emerging risks faced by the Company
- The systems have been in place for 2023/24 and up to date of approval of the Annual Report and accounts
- The systems are regularly reviewed by the Board
- The systems meet the FRC 2014 guidance on these matters.

## THE COMPANY'S SYSTEM OF INTERNAL CONTROL IS FOUNDED UPON THE FOLLOWING KEY FEATURES:

### 1. CONTROL ENVIRONMENT

The directors have put in place an organisational structure with clearly defined lines of responsibility and delegation of authority. The Company has a clearly defined policy on whistleblowing, which is detailed in the staff handbook, and includes access to independent and confidential advice. The Company's Code of Conduct and Business Ethics policy, which has been approved by the Board, has been drawn to the attention of all employees and published on the Company's intranet.

### 2. RISK MANAGEMENT

Managing business risk to enable opportunities is a key element of all activities. This is done using a framework which provides a consistent and sustained way of implementing the Company's values. Business risks, which may be related to business systems, physical assets, people, finances, or customers, are reviewed regularly by the Audit Committee and discussed by the Board.

### 3. INFORMATION SYSTEMS

There is a comprehensive budgeting system with an annual budget approved by the Board. At each Board meeting, monthly trading results and key operational data, balance sheets and cash flow statements are reported against the corresponding figures for the budget and the prior year, and the forecast for the full year is reviewed.

### 4. CONTROL PROCEDURES

There are clearly defined policies, processes, and controls for managing key business risks, such as appropriate delegations of authority for capital and operating expenditure, preventative IT controls to reduce the possibility of a cyber-attack being successful and automated controls within the treatment processes and networks.

Larger projects and major investments require Board approval.

# BOARD STATEMENT ON ACCURACY AND COMPLETENESS OF DATA AND INFORMATION FOR THE YEAR ENDED 31 MARCH 2024 CONTINUED

## 5. MONITORING SYSTEM

The Company's internal financial, operational and compliance control systems have been reviewed in the context of evolving legal and regulatory requirements and additional assurance procedures have been agreed and implemented.

The Audit Committee also reviewed the results of the internal audit work performed by the Company's Quality and Compliance department in the year. This series of internal audits were conducted by management after approval of the 2023/24 audit programme by the Committee. Whilst the monitoring and control arrangements that operated the year are considered good, actions are being taken in 2024/25 to improve controls over revenue and costs to improve financial performance. The external auditor has been informed of the Company's internal audit programme and tailored its external audit work as needed.

## IDENTIFICATION OF ANY DATA OR INFORMATION COMPLIANCE ISSUES

The Company provides an essential service to its customers and understands that the quality and availability of water are our customers' higher priorities. To ensure a continued supply of high-quality drinking water we are required to meet a number of regulatory and legal obligations.

The Company's Risk & Compliance Statement, which is contained within the APR and separately issued to Ofwat, has been published alongside our APR, confirms that the Board has complied with all its relevant statutory, licence and regulatory obligations and is taking appropriate steps to manage or mitigate any risks it faces.

## THE DIRECTORS CONFIRM THAT IN THEIR OPINION THE COMPANY:

- Has a full understanding of all its relevant statutory, licence and regulatory obligations
- Is meeting all its relevant statutory, licence and regulatory obligations
- Has taken steps to understand and meet the expectations of its customers
- Has satisfied itself that it has sufficient processes and internal systems of control to fully meet its obligations
- Has appropriate systems and processes in place to allow it to identify, manage, mitigate and review its risks.

## IN PREPARING THE RISK & COMPLIANCE STATEMENT, THE DIRECTORS NOTE THAT:

- The Company has a Compliance Code in place (available on its website and distributed to all employees) which is reviewed annually and an internal audit is carried out to confirm compliance, including compliance with the requirement to trade with associates at arm's length
- Assurance has been provided that the Company has available to it sufficient financial and non-financial resources, as per the requirement in the Company's Instrument of Appointment
- The Company's regulatory accounts confirm that the Company maintains an investment grade credit rating
- Required regulatory disclosures have been made
- The independent auditor's report from PricewaterhouseCoopers LLP confirms that the Strategic and Directors' reports, included within our Annual Report and Accounts 2024, have been prepared in accordance with the Companies Act 2006 and the information contained within them is consistent with the financial statements.

## USE OF EXTERNAL ASSURANCE

The Board acknowledge and need for external assurance on the Company's data and information, in addition to the assurance provided by the Company's internal assurance measures noted above. In terms of the external assurance for the year ended 31 March 2024:

### 1. RESULTS OF ASSURANCE WORK

The Board engaged Mott MacDonald to provide assurance over our key non-financial metrics, primarily the 2023/24 performance commitment outcomes.

The year-end assurance letter from Mott MacDonald is provided on our website and provides a unqualified opinion on our reported results of our performance commitments for 2023/24.

### A SUMMARY OF MOTT MACDONALD'S CONCLUSION IS ATTACHED AS FOLLOWS:

- The Tables 3A-3F performance commitment data appear to have been completed appropriately.
- The technical data in tables 2N, 4A, 4R, 4Q, 5A, 6A, 6B, 6C, 6D, and 11A has been compiled appropriately, subject to below.
- In table 4R, year-end property data is being reported rather than year-average, owing to a discontinuity in data when the new customer relationship management and billing system was introduced.
- Errors and omissions were corrected as a result of the audits.
- Recommendations were made for ongoing improvement with particular focus on certain method statements and internal review and approval procedures.

The Board also engaged NQA to provide assurance on our greenhouse gas emissions in the year, who verified that our greenhouse gas emissions reporting is compliant with the requirements of ISO14064-1.

### 2. RESULTS OF ASSURANCE WORK PERFORM ON FINANCIAL AND REGULATORY DATA

PwC was engaged to provide assurance over the 2023/24 financial statements and tables 1 and 2 of the regulatory accounts. PwC's regulatory audit opinion is contained in the APR as published on the Company's website. Both of these opinions were unqualified opinions on the Company's reported results, with the opinion over the financial statements giving specific details of area of focus for the audit during the year.

### 3. ASSURANCE ON THE COMPANY'S CERTIFICATE OF ADEQUACY

In line with Ofwat's requirements with respect to the Company's Certificate of Adequacy (or Ring-Fencing certificate), PwC performed assurance work as detailed in its opinion as attached on our website. This confirmed that the certificate was consistent with the information obtained during the course of its audit work of the statutory financial statements.

All required certificates – including the above Certificate of Adequacy and Risk and Compliance certificate – are contained in our APR and have been separately issued to Ofwat.

Throughout our year-end work, we have also utilised external experts where required to ensure the appropriate data has been included in the year-end financial and regulatory reporting, including LCP for actuarial data and CEPA for regulatory review matters, including numerical reconciliations to Ofwat's Final Determination.

Approved by the Board of Directors on 10 July and signed on its behalf by:



**Paul Kerr**  
Chief Financial  
Officer

# APPROACH TO OPEN DATA FOR SES WATER

## BACKGROUND

As part of Ofwat's Information Notice 2023-24 (IN 24/01 Expectations for monopoly company annual performance reporting 2023-24 – Ofwat) published in April 2024, and consistent with the expectations set out in the H2Open – Open data in the water industry: a case for change – Ofwat published in October 2021, Ofwat has required companies to publish their APR tables in a format that could be accessed and reused by all. In addition, they should further develop how they publish the Annual Performance Report.

## WHAT IS OPEN DATA?

Open Data is data that's available to everyone to access, use and share. Data and information can be discovered and accessed by the public.

## WHY IS IT IMPORTANT?

Open Data is critically important in the water sector and for us. It helps to improve resource management, sustainability, and innovation in water resources. This provides opportunities and flexibility to deliver excellent customer service and improve customer outcomes and innovation.

## KEY BENEFITS TRANSPARENCY AND ACCOUNTABILITY

Open data allows our customers, community and stakeholders to access information about water quality, usage, and management practices and performance, promoting transparency. It enables the public and regulatory organisations to hold government agencies and utilities, including ourselves, accountable for performance and decision-making.

## IMPROVED WATER MANAGEMENT

Accurate and accessible data helps in better allocation of water resources, ensuring they are used efficiently and sustainably. Open data can be crucial during incidents and sharing vulnerable customer data as a matter of course ensures in emergencies we can manage and mitigate impacts on those communities.

## INNOVATION AND RESEARCH

Researchers and developers can use open data to create innovative solutions for water management, conservation, and distribution. It promotes research by fostering collaboration among academic institutions, private companies, and public agencies, leading to advancements in water technology and practices.

## RATIONALE FOR THE APPROACH TAKEN

As we create the smart water customer experience for SES Water in the next AMP. Data will be an essential pillar for ensuring optimal resource management, operational excellence, unlocking valuable insights and delivery of high-quality experiences for our customers. Smart water customer experience is driving our data, analytics and AI strategy and Open Data is a key deliverable in our strategy implementation in the next AMP period (2025 – 30).

We are an active member of the Ofwat innovation funded Stream Open Data Programme and contribute to the workstreams. The Stream initiative on Open Data is championing a unified and collaborative approach across the industry. This method is crucial for engaging customers effectively to make a difference as a sector wide.

Open Data brings transparency to company and industry performance, making it easy to understand and interpret. Therefore, a consistent methodology is essential and being one of the smaller companies with limited resources has enabled us to deliver value quickly by being a member of Stream. As the Stream portal was launched at the end of April this year, we published four datasets with metadata and open licence. Additionally, we have partnered with UKPN to share our Priority Services Register (PSR) data two ways via Application Programming Interface (API), enhancing support for our vulnerable customers.

## WORKING WITH THE INDUSTRY

We are an active member of Stream and will contribute to being an active member. This enables us to take part in workshops to facilitate discussion on priority datasets and also enables better collaboration with the industry in moving forward with the Open Data Roadmap.

## HOW WILL OUR APR INFORM FUTURE DATA RELEASES?

As an active participant in the Stream sector initiative our Annual Performance Reports (APR) tables will also be published on the Stream portal, and we are expecting to use the statistics from the usage of our data and metrics to gain insights data usage. Providing the user feedback loop should enable us to collaborate better with the user community. By analysing user engagement and feedback captured in the APR, we hope to tailor future dataset releases better to meet user needs, drive innovation, and support informed decision-making.

## OPEN DATA CHARACTERISTICS ADOPTED & WHY DID WE CHOOSE THEM?

We have decided to adopt all of the data characteristics for this year's APR tables, as adopting these characteristics as part of our APR submission has been one of the key deliverables for our data strategy this year.

APR OPEN DATA CHARACTERISTICS ADOPTED	WHY DID WE CHOOSE THEM?
<b>Machine readable format</b>	Submitting our APR tables in both Excel and CSV files enables better use of our data. Excel is a common application and is widely used to help data analysts analyse the data in an easily accessible way. The presentation is kept as standard that is provided by Ofwat which helps users compare data easily as they are the same format. We also decided to convert our Excel files into CSV formats using the tool provided by Stream. This makes the files a machine readable. This enables the data to be more ingestible and provides ways to combine multiple water company data to be combined and analysed to drive better insights for the public and research companies looking to use this data. We have also followed the same principle for the datasets we published as part of the Stream program's delivery.
<b>Metadata</b>	Metadata is crucial in a published dataset because it provides essential context, making it understandable and usable. It describes the dataset's contents, ensuring reliability and facilitating accurate interpretation. We decided it was important to include Metadata to enhance discoverability through searchability for the end users. Metadata also provides standardisation, which will aid in data integration and interoperability with other APR tables. Without the metadata, the APR tables will be as useful for the end users as they are with metadata. We have also followed the same principle for the datasets we have published as part of the Stream program delivery
<b>Open license</b>	We have decided to use License: CC BY 4.0". By adding an open data licence type with the link to further details on the condition allows the users of the data to understand the conditions/ restrictions if any that needs to be followed. This allows the users to download and use the data legally and the licence has been embedded into the csv files, as so it is available with the downloads. We have also followed the same principle for the datasets we program published as part of the Stream program's delivery.
<b>Feedback mechanism for data users</b>	We have decided to include contact details for the datasets as this enables user feedback. This helps in understanding data usability and relevance. Our main driving factor is to facilitate user engagement and trust, creating a collaborative community that values transparency. We have also followed the same principle for the datasets we have published as part of the Stream program delivery.

## WHAT IS THE FUTURE FOR OPEN DATA FOR SES WATER?

We are developing our own Open Data Strategy along with taking part in Stream and Open Data Institute's (ODI) Open Data Strategy for the Water Sector. We will follow our principles outlined below for how we will create and make our data open in the future.

PRINCIPLE	DESCRIPTION
<b>Accessible</b>	Our open data, licensed under CC BY 4.0, will be free for public use, sharing, reuse and redistribution where appropriate.
<b>Protected where required</b>	Data will not be released, or only partially released, according to data privacy principles under data protection act.
<b>Discoverable</b>	Data should be readily discoverable through high-quality metadata, ensuring easy access and understanding.
<b>Usable</b>	Data should be released in machine-readable formats that facilitate effortless access, use, transformation, and reuse.
<b>Well managed</b>	Data must be governed, managed and maintained with clear ownership to ensure trustworthiness and authority.
<b>Documented</b>	Comprehensive meta data outlining data format, meaning, quality, and context should be readily included.

## FEEDBACK

We are still developing and building our approach to releasing open data. If you have any comments about our approach in general, please email [van.dang@seswater.co.uk](mailto:van.dang@seswater.co.uk).

If you have queries about a specific dataset available with APR tables, please email [van.dang@seswater.co.uk](mailto:van.dang@seswater.co.uk). To help us respond to your query, please also let us know the dataset you are referring to.

# INDEPENDENT AUDITOR'S REPORT TO THE WATER SERVICES REGULATION AUTHORITY (THE WRSA) AND THE DIRECTORS OF SUTTON AND EAST SURREY WATER PLC

## OPINION

We have audited the sections of/tables within, Sutton and East Surrey Water Plc's Annual Performance Report for the year ended 31 March 2024 ("the Regulatory Accounting Statements") which comprise:

- the regulatory financial reporting tables comprising the income statement (table 1A), the statement of comprehensive income (table 1B), the statement of financial position (table 1C), the statement of cash flows (table 1D), the net debt analysis (table 1E), the financial flows (table 1F) and the related notes; and
- the regulatory price review and other segmental reporting tables comprising the segmental income statement (table 2A), totax analysis – wholesale (table 2B), cost analysis – retail (table 2C), historical cost analysis of tangible fixed assets (table 2D), analysis of grants and contributions: wholesale (table 2E), residential retail (table 2F), revenue analysis (table 2I), infrastructure network reinforcement costs (table 2J), infrastructure charges reconciliation (table 2K), analysis of land sales (table 2L), revenue reconciliation (table 2M), residential retail – social tariffs (table 2N- line 2N.1 to 2N.23) and historical cost analysis of intangible fixed assets (table 2O) and the related notes.

We have not audited: the residential retail – social tariffs (table 2N line 24-62); The Outcome performance tables (3A to 3H); and, the additional regulatory information in tables 4A to 4W, 5A and 5B, 6A to 6D, 9A and 11A.

In our opinion, Sutton and East Surrey Water Plc's Regulatory Accounting Statements have been prepared, in all material respects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA (RAG 1.09, RAG 2.08, RAG 2.09, RAG 3.14, RAG 4.11 and RAG 5.07) and the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.14, appendix 2), set out on page 30.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800, and applicable law, except as stated in the section on Auditors' responsibilities for the audit of the Regulatory Accounting Statements below and having regard to the guidance contained in ICAEW Technical Release Tech 02/16 AAF 'Reporting to Regulators on Regulatory Accounts' issued by the Institute of Chartered Accountants in England & Wales.

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

## EMPHASIS OF MATTER – SPECIAL PURPOSE BASIS OF PREPARATION

We draw attention to the fact that the Regulatory Accounting Statements have been prepared in accordance with a special purpose framework, Condition F, the Regulatory Accounting Guidelines, the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.14, appendix 2) set out in the statement of accounting policies and under the historical cost convention. The nature, form and content of the Regulatory Accounting Statements are determined by the WSRA. As a result, the Regulatory Accounting Statements may not be suitable for another purpose. It is not appropriate for us to assess whether the nature of the information

being reported upon is suitable or appropriate for the WSRA's purposes. Accordingly, we make no such assessment. In addition, we are not required to assess whether the methods of cost allocation set out in the accounting methodology statement are appropriate to the circumstances of the Company or whether they meet the requirements of the WSRA.

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

The Regulatory Accounting Statements on pages 23 to 76 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from UK GAAP. A summary of the effect of these departures in the Company's statutory financial statements is included in the tables within section 1.

Our opinion is not modified in respect of this matter.

## CONCLUSIONS RELATING TO GOING CONCERN

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

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included the following:

- Initial discussions with Management and the Audit Committee to understand the going concern risks facing the company, which predominantly related to uncommitted funding requirements over the going concern assessment period, with such additional funding being required for the purpose of both liquidity and in order to meet debt covenant requirements.
- Review of Management's cash flow and covenant ratio forecasts, which included verifying the mathematical accuracy and performing reasonableness checks of key assumptions (such as capital spend, revenue growth and cost inflation). This allowed for the total uncommitted funding requirement over the 12-month going concern forecast period to be known, both on a base case and on severe but plausible downside scenarios.
- Reviewing the letters of support from the ultimate shareholder to verify that the appropriate level, nature and duration of commitment was included.
- Holding meetings with the ultimate shareholder to verify that: appropriate approvals had been granted for the letters to be signed; the funding requirements of Sutton and East Surrey Water Plc were well understood (both on a base case as well as severe but plausible downside scenarios); there were no significant conditions associated with the support committed; and there were sufficient cash resources available to the shareholder to provide the necessary support.
- Inspection of most recent audited or reviewed financial accounts of the shareholder to verify that sufficient resources exist such that the necessary commitment could be issued.
- Review of the appropriateness of disclosures presented in the financial statements in connection with the going concern assumption.

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 company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### OTHER INFORMATION

The other information comprises all of the information in the Annual Performance Report other than the Regulatory Accounting Statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the Regulatory Accounting Statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the Regulatory Accounting Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Regulatory Accounting Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Regulatory Accounting Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report based on these responsibilities.

### RESPONSIBILITIES OF THE DIRECTORS FOR THE ANNUAL PERFORMANCE REPORT

As explained more fully in the Statement of Directors' Responsibilities set out on page 14, the directors are responsible for the preparation of the Annual Performance Report in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSR and the Company's accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.14, appendix 2).

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

In preparing the Annual Performance Report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE REGULATORY ACCOUNTING STATEMENTS WITHIN THE ANNUAL PERFORMANCE REPORT

Our objectives are to obtain reasonable assurance about whether the Regulatory Accounting Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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

# INDEPENDENT AUDITOR'S REPORT TO THE WATER SERVICES REGULATION AUTHORITY (THE WRSA) AND THE DIRECTORS OF SUTTON AND EAST SURREY WATER PLC CONTINUED

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Regulatory Accounting Statements.

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

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the Regulatory Accounting Statements. These included Regulatory Accounting Guidelines as issued by the WRSA, UK Companies Act, pensions legislation, tax legislation etc; and
- do not have a direct effect on the Regulatory Accounting Statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's operating license, regulatory solvency requirements and environmental regulations.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we

tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- Enquiries of Management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud.
- Evaluation of Management's control to prevent and detect irregularities.
- Challenging assumptions and judgements made by Management in their significant accounting estimates and judgements, in particular in relation to the recoverability of trade debtors, accuracy of the measured income accrual and capitalisation of salary costs, including the disclosure of such matters in the financial statements.
- Identifying and testing journal entries, in particular any journal entries with an unusual combination of account codes where credits have gone to revenue.
- Incorporating elements of unpredictability into the audit procedures performed.

A further description of our responsibilities for the audit of the Regulatory Accounting Statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## USE OF THIS REPORT

This report is made, on terms that have been agreed, solely to the Company and the WSRA in order to meet the requirements of Condition F of the Instrument of Appointment granted by the Secretary of State for the Environment to the Company as a water and sewage undertaker

under the Water Industry Act 1991 ("Condition F"). Our audit work has been undertaken so that we might state to the Company and the WSRA those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under Condition F to procure such a report and (b) to facilitate the carrying out by the WSRA of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the WSRA, for our audit work, for this report or for the opinions we have formed.

Our opinion on the Regulatory Accounting Statements is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2024 on which we reported on 10 July 2024, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



## PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

1 Embankment Place,  
London  
WC2N 6RH

10 July 2024

# REGULATORY ACCOUNTS 2024

The regulatory accounts and additional information which form part of this Annual Performance Report (APR) are provided to comply with Condition F of the Instrument of Appointment (the 'Licence') of Sutton and East Surrey Water Plc, trading as SES Water (the 'Company'), as a water undertaker under the Water Industry Act 1989. Our licence can be found on the Ofwat website at: [https://www.ofwat.gov.uk/wp-content/uploads/2015/10/lic\\_lic\\_ses.pdf](https://www.ofwat.gov.uk/wp-content/uploads/2015/10/lic_lic_ses.pdf)

The regulatory accounts are prepared in accordance with the Regulatory Accounting Guidelines (RAGs) issued by the Water Services Regulatory Authority, 'Ofwat', and are based on International Financial Reporting Standards (IFRS).

The regulatory accounts should be read in conjunction with the statutory Annual Report and Accounts for the year ended 31 March 2024.

The accounting policies adopted for these regulatory accounts are the same as those set out in the financial statements except where a different treatment is required in order to comply with the Regulatory Accounting Guidelines. The differences between statutory and RAG definitions are explained after each relevant table.

## DEFINITIONS OF APPOINTED AND NON-APPOINTED BUSINESS

The regulatory accounts separate the results of Sutton and East Surrey Water Plc into appointed and non-appointed activities.

Appointed activities are defined in Condition A of the Licence to be the 'functions of' and the 'duties imposed on' a water undertaker by the Water Industry Act 1991. Appointed activities are consequently those activities that are necessary in order for the Company to fulfil its functions and duties as a water undertaker.

In general, non-appointed activities are activities for which either the water undertaker is not a monopoly supplier (for example, the provision of billing and collection services for another undertaker) or the activity involves the optional use of an asset owned by the appointed business (for example, the provision of vehicle maintenance services to the public).

For the year ended 31 March 2024, there are no fundamental changes in the RAGs in terms of accounting principles for regulatory purposes. However, as this is the fourth year of the five-year price control cycle, the reporting format has been expanded on to include tables showing data over the current price control period, as well as the year to date, where applicable and required under the RAGs.

## PRODUCTION OF REGULATORY ACCOUNTS

All costs are extracted directly from the Company's accounting systems, with appropriate activity codes already assigned for direct costs. Indirect costs are allocated between wholesale (water resources and network+), and retail (household and non-household) using appropriate activity drivers as required by Regulatory Accounting Guidelines RAG 2, RAG 3, RAG 4 and normal accounting practice. Our 'Accounting Separation Methodology Statement' is published on the Company's website.

The following regulatory accounts tables prepared in accordance with the Regulatory Accounting Guidelines are grouped into the following categories:

- Tables 1A to 1F – Regulatory financial reporting tables showing financial information aligned to the way in which price controls have been set
- Tables 2A to 2O – Price control and additional segmental reporting tables which explain in more detail the revenue and costs to allow stakeholders to review performance against
- Final Determinations from Ofwat
- Tables 3A to 3H – Performance summary tables providing information on the performance of the appointed business against the performance commitments and outcome delivery incentives (ODIs)
- Tables 4A to 4J – Additional regulatory information showing financial and non-financial information
- Tables 4N – 6D onwards provide additional financial and non-financial information
- Tables 4B and 4L are not published in this document due to their size
- Table 9A provides information on the innovation competition
- Table 10 – For green recovery, not relevant to SES
- Table 11A – CO<sub>2</sub> emissions.

# 1A – INCOME STATEMENT

for the 12 months ended 31 March 2024

		Adjustments				
		Statutory £'000	Differences between statutory and RAG definitions £'000	Non- appointed £'000	Total adjustments £'000	Total appointed activities £'000
1A.1	Revenue					
1A.2	Operating costs	(68,596)	(539)	1,317	778	(67,818)
1A.3	Other operating income	117	-	-	-	117
1A.4	Operating profit	4,350	(2,112)	(932)	(3,044)	1,306
1A.5	Other income	-	3,129	-	3,129	3,129
1A.6	Interest income	826	-	-	-	826
1A.7	Interest expense	(30,491)	(207)	-	(207)	(30,698)
1A.8	Other interest expense	-	-	-	-	-
1A.9	Loss before tax and fair value movements	(25,315)	810	(932)	(122)	(25,437)
1A.10	Fair value gains/(losses) on financial instruments	-	-	-	-	-
1A.11	Loss before tax	(25,315)	810	(932)	(122)	(25,437)
1A.12	UK corporation tax	(380)	(203)	233	30	(350)
1A.13	Deferred tax	6,452	-	-	-	6,452
1A.14	Loss for the year	(19,243)	607	(699)	(92)	(19,335)
1A.15	Dividends	-	-	-	-	-

The differences between statutory and Regulatory Accounting Guidelines are provided in the notes on page 26.

<b>Tax analysis</b>						
1A.16	Current year	(157)	203	(233)	(30)	(187)
1A.17	Adjustments in respect of prior years	537	-	-	-	537
1A.18	UK corporation tax	380	203	(233)	(30)	350
<b>Analysis of non-appointed revenue</b>						
1A.19	Imported sludge	-	-	-	-	-
1A.20	Tankered waste	-	-	-	-	-
1A.21	Other non-appointed revenue	-	-	(2,249)	(2,249)	-
1A.22	Revenue	-	-	(2,249)	(2,249)	-
<b>Analysis of other non-appointed revenue</b>						
	Southern Water – Conveyancing Income	-	-	(12)	(12)	-
	Garage Income	-	-	(306)	(306)	-
	Thames Water – Commission & Conveyancing Income	-	-	(1,902)	(1,902)	-
	Rental Income	-	-	(29)	(29)	-
1A.21	Total	-	-	(2,249)	(2,249)	-

A reconciliation of actual tax payable to forecast tax in the PR19 Final Determination is provided in the notes on page 27.

### Reconciliation of effective tax rate for appointed activities

The current tax charge for the year is lower than the standard rate of corporation tax in the UK of 25%.

The differences are explained below:

	<b>2024</b>
	<b>£m</b>
Loss before tax	<b>(25.4)</b>
Tax charge @ 25%	<b>(6.4)</b>
Depreciation not deductible for tax purposes	<b>3.2</b>
Capital allowances relief available in place of depreciation	<b>(6.6)</b>
Capital allowances disclaimed	<b>6.5</b>
Tax losses carried forward	<b>3.2</b>
Tax credit for current year	<b>(0.1)</b>
Adjustments in respect of prior years	<b>0.5</b>
Total current tax credit	<b>0.4</b>

# 1A – INCOME STATEMENT CONTINUED

## 1. Accounting policies

The accounting policies adopted for these regulatory accounts are the same as those set out on our website except where a different treatment is required in order to comply with RAGs published by the Water Services Regulation Authority. Full statutory accounts can be found at <https://ar2024.seswater.co.uk//>.

### Cost allocation to individual price controls

The allocation of costs between operating costs, capital expenditure and capital maintenance is based on RAG 2, RAG 3, RAG 4 and normal accounting practice. Items of a capital nature costing less than £250 are written off to operating expenditure. This practice has not changed from previous years.

Leakage control costs, including those incurred through third parties and by the Company's own employees, are treated as operating expenditure.

All costs are extracted directly from the Company's accounting systems, with appropriate activity codes already assigned. Allocations for indirect costs between wholesale and retail, within wholesale between the sub-service categories of water resources, raw water distribution, water treatment and treated water distribution, and within retail between household and non-household activities, are undertaken using appropriate activity drivers as required by Regulatory Accounting Guidelines and in accordance with the Company's 'Accounting Separation Methodology Statement', as published on the Company's website.

## 2. Explanation of differences between statutory and RAG definitions

The table below takes the statutory income statement and shows the adjustments that are made to arrive at the regulatory income statement for the appointed business, including differences between accounting and regulatory accounting guidelines.

Note	Capital contributions <sup>(a)</sup>	STOR revenue <sup>(b)</sup>	Meter reading income <sup>(c)</sup>	De-recognised revenue <sup>(d)</sup>	Rental revenue <sup>(e)</sup>	Capitalised Interest <sup>(f)</sup>	Total differences as per table 1A
Revenue	(2,645)	70	312	1,174	(484)	-	(1,573)
Operating costs	-	(70)	(312)	(157)	-	-	(539)
Other operating income	-	-	-	-	-	-	-
Operating Loss	(2,645)	-	-	1,017	(484)	-	(2,112)
Other income	2,645	-	-	-	484	-	3,129
Interest expense	-	-	-	-	-	(207)	(207)
<b>Profit before tax</b>	-	-	-	1,017	-	(207)	<b>810</b>

- Grants and contributions treated as revenue in the statutory accounts, but as other income in the regulatory accounts (Ofwat clarification).
- Income from National Grid's Short Term Operating Regime (STOR) for use of the appointed business standby generators to assist with peak electricity demand - treated as revenue in the statutory accounts, but as negative operating expenditure in the regulatory accounts.
- Income from reading meters on behalf of retailers is offset against operating costs in the statutory accounts, but as revenue in the regulatory accounts.
- Under IFRS 15, revenue judged as unlikely to be collected was de-recognised in the statutory accounts with an offsetting adjustment made to the bad debt provision and revenue from prior years being recognised. For the regulatory accounts, RAG 1.07 states that 'where an amount is billed, it is probable that cash will be collected, and that no judgement should be applied to probability of collection,' therefore for regulatory accounts this statutory adjustment has been reversed.
- Rental revenue is treated as revenue in the statutory accounts, but as other income in the regulatory accounts.
- Capitalisation interest is treated against interest expense in the statutory accounts, OFWAT required this to be excluded from this line of the P&L

### 3. Reconciliation of actual tax payable to tax included in the PR19 Final Determination

The table below compares forecast taxable profit and each forecast adjustment to taxable profit that was included in the PR19 Final Determination (FD) financial model with actual taxable profit and actual adjustments that applied in 2023/24.

Details of the tax strategy for SES Water are set out in the Annual Report and Accounts (see Corporate governance report pages 82 and 83).

	2023-24 actual - notional £m	2023-24 actual - 17-18 prices £m	2023-24 FD - 17-18 prices £m	Variance - 17-18 prices £m
<b>(Loss)/Profit before tax</b>	<b>(25.4)</b>	<b>(20.4)</b>	<b>9.0</b>	<b>(29.4)</b>
Tax at 17% (FD rate)	(4.4)	(3.5)	1.5	(5.0)
Tax rate difference - actual 25% to FD rate	(2.0)	(1.6)	0.0	(1.6)
Depreciation not deductible for tax purposes	3.2	2.4	2.1	0.3
Capital allowances relief available in place of depreciation	(6.6)	(5.3)	(2.4)	(2.9)
Capital allowances disclaimed	6.5	5.2	-	5.2
Tax relief on pension contributions	-	-	-	-
Allowable depreciation on finance leases	-	-	-	-
Tax relief on interest	-	-	(0.1)	0.1
Tax relief on (non-taxable)/non-deductible expenditure	-	-	-	-
Group relief - current year	-	-	-	-
Insurance proceeds	-	-	-	-
Tax losses carried forward	3.2	2.6	-	2.6
<b>Current year tax credit</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>1.1</b>	<b>(1.3)</b>
Prior year adjustments	0.5	0.4	-	0.4
<b>Current year tax credit including prior year adjustments</b>	<b>0.4</b>	<b>0.2</b>	<b>1.1</b>	<b>(0.9)</b>

The appointee company current tax charge was lower than the current tax charge allowed in the final determination for the following reasons:

- Profit before tax in the price determination was higher than the actual for the appointee company
- Capital allowances in excess of depreciation are lower than those allowed in the price determination largely as a result of the business disclaiming capital allowances to minimise tax losses.
- The final determination was based on a corporation tax rate of 17%. The actual rate is 25%.
- Tax losses generated in the year will be carried forwards for relief against taxable profits in future years. These losses arise from lower PBT.
- A prior year credit of £0.5m arises following the true-up of the CT account to HMRC's balance per COTAX and inter-company group relief.

2023-24 results in a current tax charge for the year, this is comparable to the prior year.

The UK main rate of corporation tax increased to 25% from 1 April 2024. This change was substantively enacted on 24 May 2021, as such deferred tax liabilities and assets were recalculated and recorded at the rate they are expected to unwind in prior years.

The Chancellor announced in the March 2023 Budget, that super deductions, will be replaced by full expensing and in the Autumn 2023 statement announced that is going to become permanent in respect of plant and machinery assets. The 50% first year allowance in relation to special rate assets will also continue. The company therefore anticipates generating tax losses in future years resulting in a current tax result of nil.

The Company made group relief payments of £0.4m of UK corporation tax in the year to other group companies.

The appointee deferred tax credit of £6.5m for the year relates to a credit in respect of timing differences between depreciation and capital allowances of £2.9m, largely due to the effect depreciation exceeding capital allowances in the year which have been disclaimed. There is also a credit in relation to tax losses carried forwards of £3.2m.

SES Water has disclaimed capital allowances in the year, in order to minimise tax losses. This will provide more flexibility and enable higher capital allowance claims in future periods to offset against taxable profits, hence optimising the appointee company's current tax position.

The Company's total tax contribution extends significantly beyond the UK corporation tax charge, including Value Added Tax (VAT), business rates, employment taxes, Carbon Reduction Commitment (CRC), Climate Change Levy and Fuel Excise duty.

# 1B – STATEMENT OF COMPREHENSIVE INCOME

for the 12 months ended 31 March 2024

		Adjustments				
		Statutory £'000	Differences between statutory and RAG definitions £'000	Non- appointed £'000	Total adjustments £'000	Total appointed activities £'000
1B.1	Loss for the year	(19,243)	607	(699)	(92)	(19,335)
1B.2	Actuarial losses on post-employment plans	(1,202)	-	-	-	(1,202)
1B.3	Other comprehensive income	301	-	-	-	301
1B.4	<b>Total comprehensive Loss for the year</b>	<b>(20,144)</b>	607	(699)	(92)	<b>(20,236)</b>

Other comprehensive income is due to the movement of deferred tax relating to the actuarial gains on post-employment plans.

The differences between statutory and regulatory definitions are shown above in table 1A.

# 1C – STATEMENT OF FINANCIAL POSITION

as at 31 March 2024

	Statutory £'000	Adjustments		Total adjustments £'000	Total appointed activities £'000
		Differences between statutory and RAG definitions £'000	Non- appointed £'000		
<b>Non-current assets</b>					
1C.1 Fixed assets	378,037	(207)	-	(207)	377,830
1C.2 Intangible assets	13,712	-	-	-	13,712
1C.3 Investments – loans to group companies	-	-	-	-	-
1C.4 Investments – other	-	-	-	-	-
1C.5 Financial instruments	-	-	-	-	-
1C.6 Retirement benefit assets	6,435	-	-	-	6,435
1C.7 <b>Total</b>	<b>398,184</b>	(207)	-	(207)	<b>397,977</b>
<b>Current assets</b>					
1C.8 Inventories	432	-	-	-	432
1C.9 Trade & other receivables	36,438	2,389	(519)	1,870	38,308
1C.10 Financial instruments	-	-	-	-	-
1C.11 Cash & cash equivalents	48,256	-	(1,606)	(1,606)	46,650
1C.12 <b>Total</b>	<b>85,126</b>	2,389	(2,125)	<b>264</b>	<b>85,390</b>
<b>Current liabilities</b>					
1C.13 Trade & other payables	(46,691)	4,431	538	4,969	(41,722)
1C.14 Capex creditor	-	(4,431)	-	(4,431)	(4,431)
1C.15 Borrowings	(65,437)	-	-	-	(65,437)
1C.16 Financial instruments	-	-	-	-	-
1C.17 Current tax liabilities	-	(463)	233	(230)	(230)
1C.18 Provisions	-	-	-	-	-
1C.19 <b>Total</b>	<b>(112,128)</b>	(463)	771	<b>308</b>	<b>(111,820)</b>
1C.20 Net Current assets/(liabilities)	(27,002)	1,926	(1,354)	572	(26,430)
<b>Non-current liabilities</b>					
1C.21 Trade & other payables	-	-	-	-	-
1C.22 Borrowings	(255,893)	-	-	-	(255,893)
1C.23 Financial instruments	-	-	-	-	-
1C.24 Retirement benefit obligations	(1,332)	-	-	-	(1,332)
1C.25 Provisions	-	-	-	-	-
1C.26 Deferred income – G&C's	-	-	-	-	-
1C.27 Deferred income – adopted assets	-	-	-	-	-
1C.28 Preference share capital	-	-	-	-	-
1C.29 Deferred tax	(34,826)	-	-	-	(34,826)
1C.30 <b>Total</b>	<b>(292,051)</b>	-	-	-	<b>(292,051)</b>
1C.31 <b>Net assets</b>	<b>79,131</b>	1,719	(1,354)	<b>365</b>	<b>79,496</b>
<b>Equity</b>					
1C.32 Called up share capital	73,489	-	-	-	73,489
1C.33 Retained earnings & other reserves	5,642	1,719	(1,354)	365	6,007
1C.34 <b>Total equity</b>	<b>79,131</b>	1,719	(1,354)	<b>365</b>	<b>79,496</b>

Cash attributable to non-appointed activities at 31 March 2024 was £1.606m. Cash held by the Company was £48.256m. Appointed activities are, therefore, deemed to hold cash for £46.650m.

# 1C – STATEMENT OF FINANCIAL POSITION CONTINUED

## Explanation of differences between statutory and RAG definitions

Note	De-recognised revenue <sup>(a)</sup>	Capitalised Interest <sup>(b)</sup>	Tax liability <sup>(c)</sup>	Capex creditor <sup>(d)</sup>	Total differences as per table 1C
Non-current assets	-	(207)	-	-	<b>(207)</b>
Current assets	2,389	-	-	-	<b>2,389</b>
Trade & other payables	-	-	-	4,431	<b>4,431</b>
Capex creditor	-	-	-	(4,431)	<b>(4,431)</b>
Current tax liabilities	-	-	(463)	-	<b>(463)</b>
Net Current assets/(liabilities)	2,389	(207)	(463)	-	<b>1,719</b>
Non-current liabilities	-	-	-	-	<b>-</b>
Net assets	2,389	(207)	(463)	-	<b>1,719</b>
Equity	2,389	(207)	(463)	-	<b>1,719</b>

- a) Revenue de-recognised in statutory accounts is shown as a bad debt in the regulatory accounts, changing bad debt provision. This has been reallocated to Provisions within the year.
- b) The difference in Non-current assets relate to the capitalised interest, which was originally placed under Non-current assets, this has now been removed, as per the Rags.
- c) Tax liability arising from revenue de-recognised revenue being re-instated.
- d) Capex creditors are separated out in the regulatory accounts, but included within trade and other payables in the statutory accounts.

# 1D - STATEMENT OF CASH FLOWS

## for the 12 months ended 31 March 2024

	Statutory £'000	Adjustments		Total adjustments £'000	Total appointed activities £'000	
		Differences between statutory and RAG definitions £'000	Non- appointed £'000			
<b>Operating activities</b>						
1D.1	Operating profit	4,350	(2,112)	(932)	(3,044)	1,306
1D.2	Other income	-	3,129	-	3,129	3,129
1D.3	Depreciation	14,902	-	-	-	14,902
1D.4	Amortisation - G&C's	-	-	-	-	-
1D.5	Changes in working capital	(8,268)	(1,017)	(286)	(1,303)	(9,571)
1D.6	Pension contributions	446	-	-	-	446
1D.7	Movement in provisions	1,325	-	-	-	1,325
1D.8	Profit on sale of fixed assets	(117)	-	-	-	(117)
1D.9	Cash generated from operations	12,638	-	(1,218)	(1,218)	11,420
1D.10	Net interest paid	(11,180)	454	-	454	(10,726)
01D.11	Tax paid	(202)	-	212	212	10
1D.12	Net cash generated from operating activities	1,256	454	(1,006)	(552)	704
<b>Investing activities</b>						
1D.13	Capital expenditure	(22,149)	-	-	-	(22,149)
1D.14	Grants & contributions	-	-	-	-	-
1D.15	Disposal of fixed assets	145	-	-	-	145
1D.16	Other	454	(454)	-	(454)	-
1D.17	Net cash used in investing activities	(21,550)	(454)	-	(454)	(22,004)
1D.18	Net cash generated before financing activities	(20,294)	-	(1,006)	(1,006)	(21,300)
<b>Cash flows from financing activities</b>						
1D.19	Equity dividends paid	-	-	-	-	-
1D.20	Net loans received	22,593	-	-	-	22,593
1D.21	Cash inflow from equity financing	22,000	-	-	-	22,000
1D.22	Net cash generated from financing activities	44,593	-	-	-	44,593
1D.23	Increase (decrease) in net cash	24,299	-	(1,006)	(1,006)	23,293

Working capital is made up of changes in inventory, trade and other receivables, and amounts from and due from other companies.

# 1D – STATEMENT OF CASH FLOWS CONTINUED

## Explanation of differences between statutory and RAG definitions

Note	Income statement <sup>(a)</sup>	Interest received <sup>(b)</sup>	Total differences as per table 1D
<b>Operating activities</b>			
Operating profit	(2,112)	-	<b>(2,112)</b>
Other income	3,129	-	<b>3,129</b>
Changes in working capital	(1,017)	-	<b>(1,017)</b>
Changes in provisions	-	-	-
Cash generated from operations	-	-	-
Net interest paid	-	454	<b>454</b>
<b>Net cash generated from operating activities</b>	-	454	<b>454</b>
Net cash used in investing activities	-	(454)	<b>(454)</b>
Net cash generated before financing activities	-	-	-
<b>Net cash generated from financing activities</b>	-	-	-
<b>Increase (decrease) in net cash</b>	-	-	-

a) Definition differences from income statement and the statement of financial position as noted in table 1C.

b) Interest received is shown separately in statutory accounts, but is netted off against interest paid in regulatory accounts.

# 1E – NET DEBT ANALYSIS (APPOINTED ACTIVITIES)

at 31 March 2024

		Interest rate risk profile			
		Fixed rate	Floating rate	Index-linked	Total
		£'000	£'000	RPI £'000	
<b>Interest rate risk profile</b>					
1E.1	Borrowings (excluding preference shares)	39,962	65,000	216,368	<b>321,330</b>
1E.3	<b>Total borrowings</b>				<b>321,330</b>
1E.4	Cash				<b>(46,650)</b>
1E.5	Short-term deposits				<b>-</b>
1E.6	<b>Net debt</b>				<b>274,680</b>
<b>Gearing</b>					
1E.7	Gearing				<b>79.1%</b>
1E.8	Adjusted Gearing				<b>77.0%</b>
<b>Interest</b>					
1E.9	Full year equivalent nominal interest cost	2,242	3,999	44,286	<b>50,527</b>
1E.10	Full year equivalent cash interest payment	2,242	3,999	6,218	<b>12,459</b>
<b>Indicative interest rates</b>					
1E.11	Indicative weighted average nominal interest rate	5.6%	6.2%	20.5%	<b>15.7%</b>
1E.12	Indicative weighted average cash interest rate	5.6%	6.2%	2.9%	<b>3.9%</b>
<b>Time to maturity</b>					
1E.13	Weighted average years to maturity	9.11	0.44	7.17	<b>6.05</b>

The Regulatory Capital Value (RCV) used in the above calculation is £347.36m which was published by Ofwat in May 2024.

Fixed rate borrowings include a net private placement bond of £38.56m and a debenture stock of £0.1m as well as car leases making up £1.3m of the total amount.

Consistent with prior years, the net debt figure includes unamortised bond fees (£3.1m) as well as debt costs (£1.44m) and all appointed cash balances of £46.65m. Gearing is defined as net debt over RCV as noted above. In addition, when calculating the full year equivalent cash interest payment, we have included the unamortised fees for consistency with the figure 1E.1.

Adjusted gearing reflects the definitions of the financial covenants associated with the Company's index-linked bond which excludes from the definition of net debt unamortised bond issuance costs and cash balances other than those held in ring-fenced accounts specified by the bond documentation.

We do not use derivative financial instruments to hedge exposure to credit and interest rate risks arising in the normal course of business and do not have any exposure to currency risk, since all activities are conducted in the UK and all borrowings are denominated in pounds sterling. We have therefore not included Ofwat's financial derivatives table in the annual report.

Full year equivalent nominal interest does not equal the interest cost in the income statement as nominal interest is calculated as the nominal interest rate multiplied by the Principal sum as at 31 March 2024.

# 1F – FINANCIAL FLOWS

## for the 12 months ended 31 March 2024

	Notional returns and notional regulatory equity %	Actual returns and notional regulatory equity %	Actual returns and actual regulatory equity %	Notional returns and notional regulatory equity £'000	Actual returns and notional regulatory equity £'000	Actual returns and actual regulatory equity £'000
1F.1	Regulatory equity (£k)	110,316	110,316	71,591	-	-
1F.2	Return on regulatory equity	4.02%	2.61%	4.02%	4,430	2,875
<b>Financing</b>						
1F.3	Impact of movement from notional gearing	-	1.41%	1.56%	-	1,555
1F.4	Gearing benefits sharing	-	-	-	-	-
1F.5	Variance in corporation tax	-	1.30%	2.01%	-	1,438
1F.6	Group relief	-	-	-	-	-
1F.7	Cost of debt	-	(4.18)%	(8.39)%	-	(4,616)
1F.8	Hedging instruments	-	-	-	-	-
1F.9	Return on regulatory equity including Financing adjustments	4.02%	1.14%	(0.80)%	4,430	1,252
<b>Operational performance</b>						
1F.10	Totex out/(under)performance	-	(3.63)%	(5.60)%	-	(4,008)
1F.11	ODI out/(under)performance	-	(0.66)%	(1.02)%	-	(730)
1F.12	C-MeX out/(under)performance	-	(0.13)%	(0.19)%	-	(138)
1F.13	D-MeX out/(under)performance	-	(0.10)%	(0.15)%	-	(105)
1F.14	Retail out/(under)performance	-	(2.69)%	(4.14)%	-	(2,967)
1F.15	Other exceptional items	-	-	-	-	-
1F.16	<b>Operational performance total</b>	-	(7.21)%	(11.10)%	-	(7,948)
1F.17	<b>RoRE (return on regulatory equity)</b>	-	(6.07)%	(11.90)%	4,430	(6,696)
1F.18	<b>RCV growth</b>	4.53%	4.53%	4.53%	4,997	4,997
1F.19	<b>Voluntary sharing arrangements</b>	-	-	-	-	-
1F.20	<b>Total shareholder return</b>	4.53%	(1.54)%	(7.37)%	9,427	(1,699)
<b>Dividends</b>						
1F.21	Gross Dividend	-	-	-	-	-
1F.22	Interest Receivable on Intercompany Loans	-	-	-	-	-
1F.23	Retained Value	4.53%	(1.54)%	(7.37)%	9,427	(1,699)
<b>Cash impact of 2015-20 performance adjustments</b>						
1F.24	Totex out/underperformance	-	(0.11)%	(0.17)%	-	(122)
1F.25	ODI out/underperformance	-	0.19%	0.29%	-	208
1F.26	Total out/underperformance	-	0.08%	0.12%	-	86

The second part of the financial flows table showing the average over the AMP is on page 36.

The information has been produced in accordance with the guidance provided by Ofwat and allows a comparison between the returns under our actual capital structure and the returns set by the regulator under a notional capital structure.

The total actual return to external shareholders generally comprises of the following:

- base return set during the PR19 FD;
- outturn financial and operational performance compared with our set allowances/targets; and
- growth in RCV arising from inflation.

The cost sharing ratio included in 1F when calculating totex performance is 55% per the FD.

● Increase ● Decrease ● Total

### Breakdown of 2023/24 actual return



For year ended 31 March 2024, the Final Determination set our base return at 4.02% applicable to Ofwat’s notional capital structure with notional gearing of 60%. Our actual results are discussed further below:

Our financing activities decreased returns by 4.82% from 4.02% (notional) to (0.80)% (actual), which can be attributed to the following reasons:

- Our average gearing of 78% is higher than the 60% assumed by Ofwat for a notional company, which had the impact of increasing returns by £1,114k or 1.56%. The higher gearing amplifies the percentage return to external shareholders, because debt has a lower required return than equity. Another impact of higher gearing level is that it increases the volatility of external shareholder returns, which become proportionately more sensitive to levels of out or underperformance.
- The tax expense for the year was in credit mainly due to the high cost of interest expenses resulting in a loss before tax and, therefore, the tax expense impact increased returns by £1.438m or 2.01% compared with the Final Determination allowance.
- Rising inflation rates have increased charges on the RPI-linked bond. Cost of debt is higher than compared with the Final Determination allowance, decreasing returns by £6.005m or 8.39%.

Our operational performance decreased returns for the financial year by 11.10% or £7.948m which is due to various factors:

- Our whole totex spend was £4.008m or 5.6% higher than the Final Determination (2017/18 prices) mainly relates to the water network plus price control. increase in cost of new connections under developer services, increased capex costs based on the base and enhancing expenditure alongside the rising inflation, which has had an impact on costs all round.
- ODI were scored lower than target and we expect a penalty around £730k (1.02%).
- C-MeX and D-MeX were scored adversely in 2022/23 and we had encountered a penalty amounting to £243k (0.34%).
- Our retail totex performance reflects a challenging FD allowance, which has been further impacted all round due to inflation.

Inflation, namely the average yearly growth in CPIH and RPI, increases RCV growth by 4.53%, against 11.83% in 2023 and 7.25% in 2022.

We do not have any voluntary sharing arrangements for AMP 7.

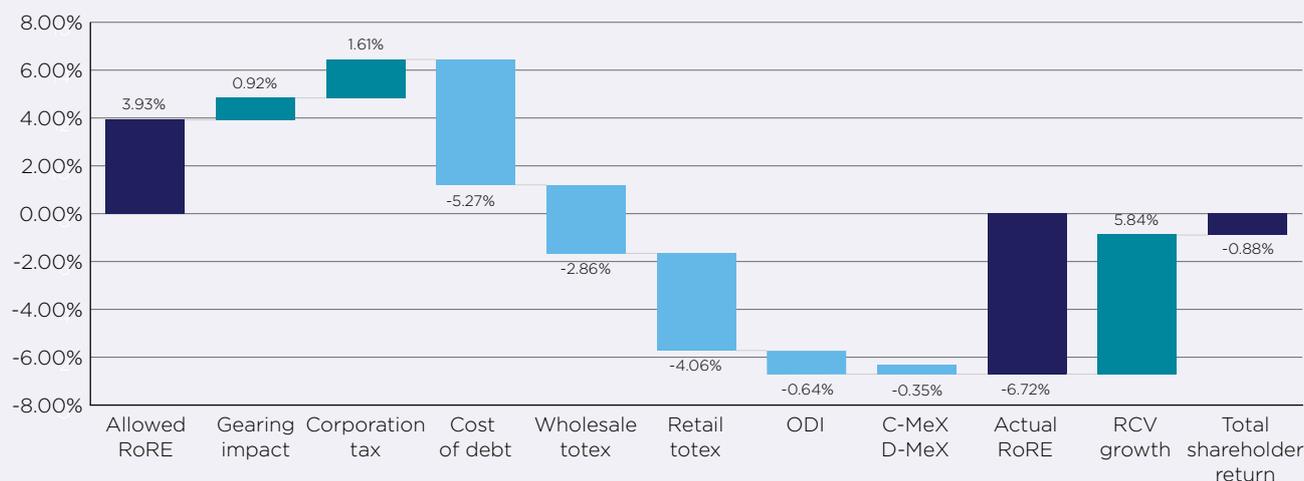
# 1F – FINANCIAL FLOWS CONTINUED

## Financial performance of the first four years of AMP 7 – average of 2020 to 2024

	Notional returns and notional regulatory equity %	Actual returns and notional regulatory equity %	Actual returns and actual regulatory equity %	Notional returns and notional regulatory equity £'000	Actual returns and notional regulatory equity £'000	Actual returns and actual regulatory equity £'000
1F.1	Regulatory equity (£k)	106,508	106,508	75,082	-	-
1F.2	Return on regulatory equity	3.93%	2.77%	3.93%	4,181	2,947
<b>Financing</b>						
1F.3	Impact of movement from notional gearing	-	1.16 %	0.92 %	-	1,234
1F.4	Gearing benefits sharing	-	-	-	-	-
1F.5	Variance in corporation tax	-	1.14 %	1.61 %	-	1,212
1F.6	Group relief	-	-	-	-	-
1F.7	Cost of debt	-	(3.04) %	(5.27) %	-	(3,240)
1F.8	Hedging instruments	-	-	-	-	-
1F.9	Return on regulatory equity including Financing adjustments	3.93%	2.03%	1.19%	4,181	2,153
<b>Operational performance</b>						
1F.10	Totex out/(under)performance	-	(1.85)%	(2.86)%	-	(2,046)
1F.11	ODI out/(under)performance	-	(0.42)%	(0.64)%	-	(461)
1F.12	C-MeX out/(under)performance	-	(0.12)%	(0.18)%	-	(134)
1F.13	D-MeX out/(under)performance	-	(0.11)%	(0.17)%	-	(121)
1F.14	Retail out/(under)performance	-	(2.64)%	(4.06)%	-	(2,907)
1F.15	Other exceptional items	-	-	-	-	-
1F.16	<b>Operational performance total</b>	-	(5.14)%	(7.91)%	-	(5,669)
1F.17	<b>RoRE (return on regulatory equity)</b>	3.93%	(3.11)%	(6.72)%	4,181	(3,516)
1F.18	<b>RCV growth</b>	5.48%	5.84%	5.84%	6,216	6,216
1F.19	<b>Voluntary sharing arrangements</b>	-	-	-	-	-
1F.20	<b>Total shareholder return</b>	9.75%	2.73%	(0.88)%	10,397	2,700
<b>Dividends</b>						
1F.21	Gross Dividend	0.96%	2.21 %	3.14%	1,018	2,357
1F.22	Interest Receivable on Intercompany Loans	-	-	-	-	-
1F.23	Retained Value	8.79%	0.52%	(4.02)%	9,379	343
<b>Cash impact of 2015-20 performance adjustments</b>						
1F.24	Totex out/underperformance	-	(0.11)%	(0.16)%	-	(122)
1F.25	ODI out/underperformance	-	0.20%	0.28%	-	208
1F.26	Total out/underperformance	-	0.09%	0.12%	-	86

● Increase ● Decrease ● Total

### Breakdown of average returns over current price control period



The Final Determination set our base return at 3.93% applicable to Ofwat’s notional capital structure with notional gearing of 60% for the average over financial years 2021 to 2024. Our actual results are discussed further below:

Our financial activities decreased returns by 2.74% from 3.93% (notional) to 1.19% which can be attributed to the following reasons:

- Average gearing of 74.8% during the AMP to date is higher than the 60% assumed by Ofwat for a notional company, which had the impact of increasing average returns by £693k or 0.92%. The higher gearing amplifies the percentage return to external shareholders, because debt has a lower required return than equity. Another impact of higher gearing levels is that it increases the volatility of external shareholders returns, which become proportionately more sensitive to levels of out or underperformance.
- The tax expense for the year was in credit due to the challenging operating environment resulting in a loss before tax and, therefore, the tax expense impact increased returns by £1,212k or 1.61%.
- The continuing rise of inflation rates has impacted the charges on the RPI-linked bond in the last four years, opposite to the first year of the AMP, where it was lower than the assumption in the Final Determination. Cost of debt is higher than compared with the Final Determination allowance returns, £3,958k or 5.27%.

Our operational performance decreased average returns over the price control period by 7.91% or £5,669k, due to a number of reasons:

- Our average wholesale totex spend was £2,046k or 2.86% higher than the Final Determination (in 2017/18 prices), mainly due to factors such as the new connections expenditure and rising inflation.
- On average, the ODI performance has performed below expectations and reduce returns by £461k (0.64%).
- C-MeX and D-MeX performance – the Company has not performed well on these scores and will be penalised £255k (0.35%).
- The average retail performance reflects a challenging FD allowance, which has been further impacted by higher costs associated with the implementation of our new billing system ‘Aptumo’, investment in enhancing our customer service alongside the contracting of the new debt collection agency.

## 2A – SEGMENTAL INCOME STATEMENT

### for the 12 months ended 31 March 2024

	Residential retail £'000	Water resources £'000	Water network+ £'000	<b>Total £'000</b>
2A.1 Revenue – price control	5,439	6,245	56,206	<b>67,890</b>
2A.2 Revenue – non-price control	-	111	1,006	<b>1,117</b>
2A.5 Operating expenditure	(8,686)	(6,048)	(38,185)	<b>(52,919)</b>
2A.6 Depreciation – tangible fixed assets	(2)	(749)	(12,999)	<b>(13,750)</b>
2A.7 Amortisation – intangible fixed assets	(745)	(10)	(396)	<b>(1,151)</b>
2A.8 <b>Other operating income</b>	16	2	99	<b>117</b>
2A.9 <b>Operating (loss)/profit</b>	<b>(3,978)</b>	<b>(449)</b>	<b>5,731</b>	<b>1,304</b>

The basis of cost allocations used in this segmental income statement is described in note 1A on page 26. 'Water network+' activities include raw water transport and storage, water treatment and treated water distribution in accordance with the definitions in the RAGs.

Residential retail activities made an operating loss of £3.476m due to high costs, as noted on page 40 (table 2C).

## 2B – TOTEX ANALYSIS – WHOLESALE

### for the 12 months ended 31 March 2024

	Water resources £'000	Water network+ £'000	Total £'000
<b>Base operating expenditure</b>			
2B.1 Power	2,264	4,813	<b>7,077</b>
2B.2 Income treated as negative expenditure	-	70	<b>70</b>
2B.3 Service charges/discharge consents	1,697	-	<b>1,697</b>
2B.4 Bulk supply/bulk discharge	-	289	<b>289</b>
2B.5 Renewals expensed in year (infrastructure)	-	-	<b>-</b>
2B.6 Renewals expensed in year (non-infrastructure)	-	-	<b>-</b>
2B.7 Other operating expenditure (including Location specific costs & obligations)	2,057	27,710	<b>29,767</b>
2B.8 Local authority and Cumulo rates	30	3,190	<b>3,220</b>
2B.9 <b>Total base operating expenditure</b>	<b>6,048</b>	<b>36,072</b>	<b>42,120</b>
<b>Other operating expenditure</b>			
2B.10 Enhancement operating expenditure	-	-	<b>-</b>
2B.11 Developer services operating expenditure	-	2,111	<b>2,111</b>
2B.12 Total operating expenditure excluding third party services	6,048	38,183	<b>44,231</b>
2B.13 Third party services	-	2	<b>2</b>
2B.14 <b>Total operating expenditure</b>	<b>6,048</b>	<b>38,185</b>	<b>44,233</b>
<b>Grants and contributions</b>			
2B.15 Grants and contributions – operating expenditure	-	(2,645)	<b>(2,645)</b>
<b>Capital expenditure</b>			
2B.16 Base capital expenditure	510	14,946	<b>15,456</b>
2B.17 Enhancement capital expenditure	-	6,269	<b>6,269</b>
2B.18 Developer services capital expenditure	-	378	<b>378</b>
2B.19 Total gross capital expenditure (excluding third party)	510	21,593	<b>22,103</b>
2B.20 Third party services	-	-	<b>-</b>
2B.21 <b>Total gross capital expenditure</b>	<b>510</b>	<b>21,593</b>	<b>22,103</b>
<b>Grants and contributions</b>			
2B.22 Grants and contributions – capital expenditure	-	-	<b>-</b>
2B.23 <b>Net totex</b>	<b>6,558</b>	<b>57,133</b>	<b>63,691</b>
<b>Cash expenditure</b>			
2B.24 Pension deficit recovery payments	-	-	<b>-</b>
2B.25 Other cash items	-	-	<b>-</b>
2B.26 Totex including cash items	6,558	57,133	<b>63,691</b>

We have no grants and contributions related to capital expenditure in the year.

The income disclosed as negative expenditure is income from National Grid's STOR. This is treated as revenue in the statutory accounts, but as negative operating expenditure in the regulatory accounts.

## 2C – COST ANALYSIS – RETAIL

### for the 12 months ended 31 March 2024

	Household total £'000
<b>Operating expenditure</b>	
2C.1 Customer services	3,574
2C.2 Debt management	562
2C.3 Doubtful debts	1,656
2C.4 Meter reading	396
2C.5 Services to developers	-
2C.6 Other operating expenditure	2,443
2C.7 Local authority and Cumulo rates	55
2C.8 Total operating expenditure excluding third party services	8,686
<b>Depreciation</b>	
2C.9 Depreciation on tangible fixed assets existing at 31 March 2015	-
2C.10 Depreciation on tangible fixed assets acquired after 1 April 2015	-
2C.11 Amortisation on intangible fixed assets existing at 31 March 2015	-
2C.12 Amortisation on intangible fixed assets acquired after 1 April 2015	745
2C.18 Total retail costs excluding third party and pension deficit repair costs	9,431
2C.19 Third party services operating expenditure	-
2C.20 Pension deficit repair costs	-
2C.21 Total retail costs including third party and pension deficit repair costs	9,431
<b>Debt written off</b>	
2C.22 Debt written off	256
<b>Capital expenditure</b>	
2C.23 Capital expenditure	1,098
<b>Other operating expenditure includes the net retail expenditure for the following household retail activities which are part funded by wholesale</b>	
2C.24 Demand-side water efficiency – gross expenditure	203
2C.25 Demand-side water efficiency – expenditure funded by wholesale	203
2C.26 Demand-side water efficiency – net retail expenditure	-
2C.27 Customer-side leak repairs – gross expenditure	431
2C.28 Customer-side leak repairs – expenditure funded by wholesale	431
2C.29 Customer-side leak repairs – net retail expenditure	-
<b>Comparison of actual and allowed expenditure</b>	
2C.30 Cumulative actual retail expenditure to reporting year end	35,137
2C.31 Cumulative allowed expenditure to reporting year end	21,951
2C.32 Total allowed expenditure 2020-25	27,851

Total operating costs for retail household for 2023/24 amounted to £9.431m. This is £3.476m higher than the allowed residential retail revenue in the Final Determination of £5.955m.

During 2023/24, the household retail price control has seen the following variations in costs:

- Investment in enhancing our customer service and debt collection capabilities.
- A significant increase in meter reading and debt services.
- A significant increase in the bad debt written off and provided for.

## 2D – HISTORICAL COST ANALYSIS OF TANGIBLE FIXED ASSETS

for the 12 months ended 31 March 2024

	Residential retail £'000	Water resources £'000	Water network+ £'000	Total £'000
<b>Cost</b>				
2D.1 At 1 April 2023	41	29,360	588,781	<b>618,182</b>
2D.2 Disposals	(72)	(15)	(284)	<b>(371)</b>
2D.3 Additions	-	466	20,694	<b>21,160</b>
2D.4 Adjustments	-	-	-	<b>-</b>
2D.5 Assets adopted at nil cost	-	-	-	<b>-</b>
2D.6 <b>At 31 March 2024</b>	<b>(31)</b>	<b>29,811</b>	<b>609,191</b>	<b>638,971</b>
<b>Depreciation</b>				
2D.7 At 1 April 2023	(44)	(11,801)	(235,681)	<b>(247,526)</b>
2D.8 Disposals	68	14	260	<b>342</b>
2D.9 Adjustments	-	-	-	<b>-</b>
2D.10 Charge for year	(2)	(749)	(12,999)	<b>(13,750)</b>
2D.11 <b>At 31 March 2024</b>	<b>22</b>	<b>(12,536)</b>	<b>(248,420)</b>	<b>(260,934)</b>
2D.12 <b>Net book amount at 31 March 2024</b>	<b>(9)</b>	<b>17,275</b>	<b>360,771</b>	<b>378,037</b>
2D.13 Net book amount at 1 April 2023	(3)	17,559	353,100	<b>370,656</b>
<b>Depreciation charge for year</b>				
2D.14 Principal services	(2)	(749)	(12,999)	<b>(13,750)</b>
2D.15 Third party services	-	-	-	<b>-</b>
2D.16 Total	<b>(2)</b>	<b>(749)</b>	<b>(12,999)</b>	<b>(13,750)</b>

## 2E – ANALYSIS OF GRANTS AND CONTRIBUTIONS: WHOLESALE

for the 12 months ended 31 March 2024

	Fully Recognised in income statement £'000	Capitalised and amortised in income statement £'000	Fully netted off capex £'000	<b>Total £'000</b>
<b>Grants and contributions – water resources</b>				
2E.1 Diversions – s185	-	-	-	-
2E.2 Other contributions (price control)	-	-	-	-
2E.3 Price control grants and contributions	-	-	-	-
2E.4 Diversions – NRSWA	-	-	-	-
2E.5 Diversions – other non-price control	-	-	-	-
2E.6 Other contributions (non-price control)	-	-	-	-
2E.7 Total	-	-	-	-
2E.8 Value of adopted assets	-	-	-	-
<b>Grants and contributions – water network+</b>				
2E.9 Connection charges	2,215	-	-	<b>2,215</b>
2E.10 Infrastructure charge receipts	831	-	-	<b>831</b>
2E.11 Requisitioned mains	347	-	-	<b>347</b>
2E.12 Diversions – s185	(101)	-	-	<b>(101)</b>
2E.13 Other contributions (price control)	-	-	-	-
2E.14 Price control grants and contributions before deduction of income offset	3,292	-	-	<b>3,292</b>
2E.15 Income offset	(647)	-	-	<b>(647)</b>
2E.16 Price control grants and contributions after deduction of income offset	2,645	-	-	<b>2,645</b>
2E.17 Diversions – NRSWA	-	-	-	-
2E.18 Diversions – other non-price control	-	-	-	-
2E.19 Other contributions (non-price control)	-	-	-	-
2E.20 Total	2,645	-	-	<b>2,645</b>
2E.21 Value of adopted assets	-	222	-	<b>222</b>
<b>Movements in capitalised grants and contributions</b>				
2E.34 b/f	-	-	-	-
2E.35 Capitalised in year	-	-	-	-
2E.36 Amortisation (in income statement)	-	-	-	-
2E.37 c/f	-	-	-	-

## 2F – RESIDENTIAL RETAIL

for the 12 months ended 31 March 2024

	Revenue £'000	Number of customers	Average residential revenues £
<b>Residential revenue</b>			
2F.1 Wholesale charges	52,732		
2F.2 Retail revenue	5,439		
2F.3 Total residential revenue	58,171		
<b>Retail revenue</b>			
2F.4 Revenue Recovered (RR)	5,439		
2F.5 Revenue sacrifice	-		
2F.6 Actual revenue (net)	5,439		
<b>Customer information</b>			
2F.7 Actual customers (AC)		289,054	
2F.8 Reforecast customers		286,862	
<b>Adjustment</b>			
2F.9 Allowed revenue (R)	5,955		
2F.10 Net adjustment	516		
<b>Other residential information</b>			
2F.11 Average residential retail revenue per customer			18.81

"Reforecast customers" is the forecasted number for the ongoing charging year at the time of the APR submission, this number was set in PR19.

The household retail revenue allowance for 12 months ended 31 March 2024 was £5.955m. This is £0.516m less than the PR19 Final Determination allowed revenue due to consumption volumes below those originally forecasted.

Tables 2G and 2H are only applicable for Welsh companies and therefore have not been included within this report.

## 21 – REVENUE ANALYSIS

### for the 12 months ended 31 March 2024

	Household £'000	Non- household £'000	Total £'000	Water resources £'000	Water network+ £'000	Total £'000
<b>Wholesale charge – water</b>						
21.1 Unmeasured	19,625	3,880	<b>23,505</b>	2,350	21,154	<b>23,504</b>
21.2 Measured	33,107	5,839	<b>38,946</b>	3,895	35,052	<b>38,947</b>
21.3 Third party revenue	-	-	-	-	-	-
21.4 <b>Total wholesale water revenue</b>	52,732	9,719	<b>62,451</b>	6,245	56,206	<b>62,451</b>
<b>Retail revenue</b>						
21.17 Unmeasured	2,048	-	<b>2,048</b>			
21.18 Measured	3,391	-	<b>3,391</b>			
21.19 Other third party revenue	-	-	-			
21.20 Retail Total	5,439	-	<b>5,439</b>			
<b>Third party revenue – non-price control</b>						
21.21 Bulk supplies – water			<b>656</b>			
21.23 Other third party revenue			<b>461</b>			
<b>Principal services – non-price control</b>						
21.24 Other appointed revenue			-			
21.25 <b>Total appointed revenue</b>			<b>69,007</b>			

In April 2017, SES water exited the non-household retail market. Non-households can now choose their retailer in the competitive market. Retailers charge non-household customers and pay us wholesale charges. For the 12 months ended 31 March 2024, wholesale revenue to non-household customers totalled £9.719m primarily to retailers.

## 2J – INFRASTRUCTURE NETWORK REINFORCEMENT COSTS

for the 12 months ended 31 March 2024

	Network reinforcement capex £'000	On site/ site specific capex £'000
2J.1 Distribution and trunk mains	(120)	-
2J.2 Pumping and storage facilities	-	-
2J.3 Other	-	-
2J.4 <b>Total</b>	(120)	-

Network reinforcement costs are recognised as incurred. Infrastructure charges are recognised as properties are connected therefore costs may have been incurred in years prior to the income from charges being recognised.

## 2K – INFRASTRUCTURE CHARGE RECONCILIATION

for the 12 months ended 31 March 2024

	Water £'000
2K.1 Infrastructure charges	831
2K.2 Discounts applied to infrastructure charges	-
2K.3 <b>Gross infrastructure charges</b>	831
<b>Comparison of revenue and costs</b>	
2K.4 Variance brought forward	(1,364)
2K.5 Revenue	831
2K.6 Costs	120
2K.7 <b>Variance carried forward</b>	(413)

Disclosed as infrastructure charges within the above table are contributions from other sources that are considered to be their equivalent, though these are disclosed on separate lines within table 2E. This includes infrastructure charges received from NAV providers, and the non-domestic charges.

## 2L – ANALYSIS OF LAND SALES

for the 12 months ended 31 March 2024

	Water resources £'000	Water network+ £'000	<b>Total £'000</b>
2L.1 Proceeds from disposals of protected land	-	-	-

There were no land sales in 2023/24.

## 2M – REVENUE RECONCILIATION

### for the 12 months ended 31 March 2024

	Water resources £'000	Water network+ £'000	<b>Total £'000</b>
<b>Revenue recognised</b>			
2M.1 Wholesale revenue governed by price control	6,245	56,206	<b>62,451</b>
2M.2 Grants & contributions (price control)	-	2,645	<b>2,645</b>
2M.3 Total revenue governed by wholesale price control	6,245	58,851	<b>65,096</b>
<b>Calculation of the revenue cap</b>			
2M.4 Allowed wholesale revenue before adjustments	6,450	56,826	<b>63,276</b>
2M.5 Allowed grants & contributions before adjustments	-	5,109	<b>5,109</b>
2M.6 Revenue adjustment	1	11	<b>12</b>
2M.7 Other adjustments	-	-	<b>-</b>
2M.8 Revenue cap	6,451	61,946	<b>68,397</b>
<b>Calculation of the revenue imbalance</b>			
2M.9 Revenue cap	6,451	61,946	<b>68,397</b>
2M.10 Revenue recovered	6,245	58,851	<b>65,096</b>
2M.11 Revenue imbalance	206	3,095	<b>3,301</b>

We recovered £6.245m of water resources revenue and £58.851m of water network+ revenue. We therefore under recovered our total allowed revenue by £3.301m (5.1%), which was driven primarily by significantly higher inflation than forecast when tariffs for 2023/24 were set in 2022/23, together with continued lower level of business consumption than initially forecast.

Tariffs will be adjusted in 2025/26 to address this under recovery in line with Ofwat's regulatory rules.

## 2N – RESIDENTIAL RETAIL – SOCIAL TARIFFS

for the 12 months ended 31 March 2024

	Revenue £m	Number of customers '000s	Average amount per customer £
<b>Section A – social tariffs</b>			
<b>Number of residential customers on social tariffs</b>			
2N.1	-	20,853	-
<b>Number of residential customers not on social tariffs</b>			
2N.4	-	261,170	-
<b>Social tariff discount</b>			
2N.7	-	-	90.065
<b>Social tariff cross-subsidy – residential customers</b>			
2N.10	1.491	-	-
<b>Social tariff cross-subsidy – company</b>			
2N.13	-	-	5.286
2N.16	0.387	-	-
2N.19	-	-	18.572
<b>Social tariff support – willingness to pay</b>			
2N.22	-	-	6.00
2N.23	-	-	6.00
<b>Section B – WaterSure tariffs</b>			
<b>WaterSure tariffs</b>			
2N.24	-	0.634	-
2N.25	0	-	-
2N.26	-	-	-
<b>Section C – other direct bill reduction schemes for household customers struggling to pay</b>			
	Target households	Number of unique households helped by scheme	<b>Total amount bills reduced through scheme</b>
Other bill reduction schemes			
2N.27a	0	0	0
2N.27b	0	0	0
2N.27c	0	0	0
<b>Section D – debt metrics</b>			
Total number of household customers served – active and final accounts			
2N.28			286.002
2N.29			18.909
<b>Household customers in arrears</b>			
		Number of households '000's	<b>Total amount of debt £m</b>
2N.30		99.950	32.390
2N.31		0.906	0.278
2N.32		38.259	22.800
2N.33		18.723	6.666
2N.34		14.601	15.179
2N.35		16.512	6.151
<b>Temporary payment suspension</b>			
		Number of households	<b>Total amount deferred £m</b>
2N.36		-	-
2N.37		0.004	-

## 2N – RESIDENTIAL RETAIL – SOCIAL TARIFFS CONTINUED

<b>Household debt collection through third party agents where water company remains creditor</b>		Number of households	<b>Total value of debt £m</b>	
2N.38	Debt collected by external agents – active accounts	0.027	0.005	
2N.39	Debt collected by external agents – final accounts	4.994	0.259	
2N.40	Number of Priority Services Register customers with debt passed on to external debt collection agents – active and final accounts	1.461	0.090	
<b>Household debt sold to external agencies</b>		Number of accounts	<b>Total value of debt</b>	
2N.41	Debt sold to an external agency / third party debt purchaser – active accounts	-	-	
2N.42	Debt sold to an external agency / third party debt purchaser – final accounts	-	-	
2N.43	Number of Priority Services Register customers with debt sold to an external agency / third party debt purchaser – active and final accounts	-	-	
<b>Unpaid household bills referred to courts</b>		Number of accounts	<b>Total amounts involved</b>	
2N.44	Number of county court claims	-	-	
2N.45	Number of county court judgements	-	-	
2N.46	Number of county court judgement enforcements	-	-	
2N.47	Number of high court claims	-	-	
2N.48	Number of high court judgements	-	-	
2N.49	Number of high court judgement enforcements	-	-	
<b>Section E – Payments to household customers made in accordance with the Guaranteed Standards Scheme (GSS)</b>		Number of payments ('000s)	Total amount (£m)	Number of unique households ('000s)
2N.50	Total value of payments made to household customers under GSS	-	0.012	-
2N.51	Total number of payments made to household customers under GSS	0.391	-	-
2N.52	Total number of unique household customers receiving GSS payments	-	-	0.373
<b>Number and value of GSS and other payments to household customers by type in the reporting period</b>		Total number of payments to household customers ('000s)	<b>Total value of payments made (£m)</b>	
2N.53	Keeping of appointments	0.187	0.006	
2N.54	Incidences of low water pressure	0.037	0.001	
2N.55	Incorrect notice of planned interruptions to supply	0.001	0.000	
2N.56	Supply not restored	0.000	0.000	
2N.57	Written account queries and requests to change payment arrangements not actioned on time	0.086	0.003	
2N.58	Written complaints not responded to within 10 working days	0.066	0.002	
2N.59	Properties sewer flooded internally	0.000	0.000	
2N.60	Properties sewer flooded externally	0.000	0.000	
2N.61a	Payment type_1 (extension of columns 3 & 4)	-	-	
2N.61b	Payment type_2 (extension of columns 3 & 4)	-	-	
2N.61c	Payment type_3 (extension of columns 3 & 4)	-	-	
2N.61d	Payment type_4 (extension of columns 3 & 4)	-	-	
2N.61e	Payment type_5 (extension of columns 3 & 4)	-	-	
2N.61f	Payment type_6 (extension of columns 3 & 4)	-	-	
2N.61g	Payment type_7 (extension of columns 3 & 4)	-	-	
2N.61h	Payment type_8 (extension of columns 3 & 4)	-	-	
2N.61i	Payment type_9 (extension of columns 3 & 4)	-	-	
2N.61j	Payment type_10 (extension of columns 3 & 4)	-	-	
2N.62	Late payment penalties (paid in relation to lines 2N.53 to 2N.60 )	0.050	0.001	

## 20 – HISTORICAL COST ANALYSIS OF INTANGIBLE FIXED ASSETS

for the 12 months ended 31 March 2024

	Residential retail '000s	Water resources '000s	Water network+ '000s	Total £'000
<b>Cost</b>				
20.1 At 1 April 2023	5,535	239	27,899	<b>33,673</b>
20.2 Disposals	-	-	-	-
20.3 Additions	1,098	45	974	<b>2,117</b>
20.4 Adjustments	-	-	-	-
20.5 Assets adopted at nil cost	-	-	-	-
20.6 <b>At 31 March 2024</b>	<b>6,633</b>	<b>284</b>	<b>28,873</b>	<b>35,790</b>
<b>Amortisation</b>				
20.7 At 1 April 2023	(789)	(24)	(20,116)	<b>(20,929)</b>
20.8 Disposals	-	-	-	-
20.9 Adjustments	-	-	-	-
20.10 Charge for year	(745)	(10)	(396)	<b>(1,151)</b>
20.11 <b>At 31 March 2024</b>	<b>(1,534)</b>	<b>(34)</b>	<b>(20,512)</b>	<b>(22,080)</b>
20.12 <b>Net book amount at 31 March 2024</b>	<b>5,099</b>	<b>250</b>	<b>8,361</b>	<b>13,710</b>
20.13 Net book amount at 1 April 2023	4,746	215	7,783	<b>12,744</b>
<b>Amortisation for year</b>				
20.14 Principal services	(745)	(10)	(396)	<b>(1,151)</b>
20.15 Third party services	-	-	-	-
20.16 Total	(745)	(10)	(396)	<b>(1,151)</b>

## 3A – OUTCOME PERFORMANCE – WATER PERFORMANCE COMMITMENTS

Information on our performance is included in 'Our pledges' (pages 22 to 32 of the Annual Report and Accounts 2024) and in the Financial review (pages 59 to 63 of the Annual Report and Accounts 2024). We have met our target level of performance for the year on 19 out of 27 commitments for 2023/24 (including C-MeX and D-MeX). Outcomes of the performance commitments (PCs) that are linked to financial reward or penalty for outperformance and underperformance will be reflected in the adjustment of revenue in future financial years. The financial impact shown in this table has been calculated based on the incentive rates as published in Ofwat's Final Determination for SES Water.

# 3A – OUTCOME PERFORMANCE – WATER PERFORMANCE COMMITMENTS CONTINUED

for the 12 months ended 31 March 2024

		2023/24 performance level - actual	2023/24 target met?	Outperformance or underperformance payment <sup>(1)</sup> 2023/24 £000	Forecast performance 2020-25 £000	
<b>Common PCs - Water (Financial)</b>						
3A.1	Water quality compliance (CRI) <sup>(2)</sup>	number	0.01	Yes	0.000	0.028
3A.2	Water supply interruptions <sup>(3)</sup>	hh:mm:ss	00:03:36	Yes	0.215	0.000
3A.3	Leakage <sup>(4)</sup>	%	14.7	Yes	0.450	0.934
3A.4	Per capita consumption <sup>(5)</sup>	%	(0.4)	No	0.000	0.000
3A.5	Mains repairs <sup>(6)</sup>	number	63.8	No	(0.064)	(0.918)
3A.6	Unplanned outage <sup>(7)</sup>	%	0.81	Yes	0.000	0.000
<b>Bespoke PCs - Water and Retail (Financial)</b>						
3A.7	Customer concerns about their water (taste, odour and discolouration contacts) <sup>(8)</sup>	nr	0.58	No	(0.064)	(0.271)
3A.8	Supporting customers in financial hardship <sup>(9)</sup>	nr	22,229	Yes	0.000	0.000
3A.9	Void properties <sup>(10)</sup>	%	2.38	Yes	0.005	0.000
3A.10	First contact resolution <sup>(11)</sup>	%	90.8	Yes	0.000	0.000
3A.11	Greenhouse gas emissions <sup>(12)</sup>	nr	40	Yes	0.000	0.000
3A.12	River-based improvement - delivery of WINEP <sup>(13)</sup>	nr	7	Yes	0.000	0.000
3A.13	Water softening <sup>(14)</sup>	nr	4.2	No	(0.118)	(0.519)
3A.14	Risk of supply failures <sup>(15)</sup>	%	81	Yes	0.000	0.000

Notes:

- (1) This column shows the reward/(penalty) for the performance commitment based on Ofwat's Final Determination for SES Water. All are in 2017/18 price to be consistent with Ofwat's final determination issued in December 2019.
- (2) We continued to deliver excellent water quality performance in 2023. We have determined our compliance risk index (CRI) score to be just 0.01, with only three sample exceedances for lead and nickel, linked to the condition of service pipework and customer fittings, contributing to this score. Our performance in 2021 and 2022 was also excellent and confirmed as industry leading. We strive for consistent performance going forward.
- (3) Our performance this year outperforms last year's results and continues to be within target, despite the challenges posed by two trunk main bursts. We will therefore once again receive a financial reward from Ofwat.
- (4) Our performance in the 2023/24 report year represents our lowest ever annual leakage figure and demonstrates our continuous improvement as reflected in the three-year rolling performance against target. Annual leakage (post-MLE) has decreased by 2.1 MI/d (10%) when compared to 2022/23. We remain confident that our approach to leakage management and leakage reduction is delivering the results we want it to. We are continuing to conduct work - overseen by Ofwat - to ensure our water balance reporting is fully compliant with all regulatory guidelines. Whilst we are confident in the accuracy of our leakage reporting, we have agreed with Ofwat that we will not seek to apply for any outperformance payments associated with our leakage performance until this work is concluded.
- (5) Our PCC has seen a continued reduction demonstrating the benefits of our ongoing metering, water efficiency and customer engagement programmes. We acknowledge that our outturn result is higher than our target levels, which in part reflects altered consumption patterns post Covid 19.
- (6) The report year saw a mains repairs total that was close to the 10-year average. We saw a 37% decrease on the 2022/23 reported number, however, we did not achieve our target set and will receive a financial penalty from Ofwat. The 37% decrease on the 2023/24 mains repair total was likely related to the comparatively benign weather conditions in 23/24
- (7) Our ongoing focus on operating, maintaining and investing in our water treatment works continues to secure the delivery of our unplanned outage target.
- (8) We have a very challenging target to minimise the number of customers that need to contact us about the taste, smell or appearance of their water. In 2023 we received 0.58 contacts per 1000 population, which was above our target for the year of 0.50, and so we will receive a financial penalty from Ofwat. Whilst it is disappointing that we did not meet the target set, we expect our contact rate performance to continue to be amongst the industry upper quartile. Our performance was an improvement on 2022, where we achieved a rate 0.64 contacts per 1,000 population.
- (9) We again exceeded our target for the number of customers benefiting from our Water Support Scheme, which provides eligible low-income households with a 50 per cent discount off their water bill.
- (10) We have achieved this target
- (11) Our high level of first time call resolution has been maintained this year. An increased level of data granularity in this area has also been achieved.

- (12) Greenhouse gas emissions have been reported using the UKWIR Carbon Accounting Workbook (CAW) Version 18.03.01. This uses Global Warming Potential values for 100-year time horizon from the IPCC Sixth Assessment Report AR6 for the UK water industry specific calculations and AR5 where UK government conversion factors are used.  
We have continued to use a supply of 100% REGO-backed renewable electricity, and continued to reduce the emissions associated with our operational fleet, through continued switching of ICE vehicles to EVs.
- (13) In 2022 we failed to meet our target, delivering only six out of the seven required WINEP projects in advance of their completion dates agreed with Ofwat. The outstanding project has since been delivered in 2023, bringing the cumulative total to seven, in-line with our target. We are currently developing the design for the seven Wandle restoration schemes, due for completion next year, in consultation with the Environment Agency and other stakeholders. The modelling evidence required to pursue the necessary consents, coupled with the preferred time of the year to undertake the work, may require us to delay construction until 2025. As such it is possible these schemes may not be completed in advance of next years' Ofwat agreed completion date and could impact on the reported performance commitment for the 2024/25 reporting period. We are confident that the remaining ten schemes, due for completion next year, are all on-track to be delivered in advance of the completion dates.
- (14) Performance was impacted by ongoing maintenance issues, predominantly at our Elmer works. The performance commitment penalty was incurred at three works: Elmer (63%), Kenley (26%), Cheam (11%). Despite challenges, performance remains comparable to 2020, 2021 and 2022. Improved and stable performance is expected in the future.
- (15) During the report year we have maintained a performance level of 81%, above the set target of 76%. This means that 81% of our customers by property can be served by more than one WTW in the case of a major extended shutdown at one of our water treatment works. We remain on track to deliver 100% supply failure resilience to our customers by 31 March 2025.

## 3C – CUSTOMER MEASURE OF EXPERIENCE (C-MEX) TABLE

### for the 12 months ended 31 March 2024

		Units	Value
3C.1	Annual customer satisfaction score for the customer experience survey	Number	67.13
3C.2	Annual customer satisfaction score for the customer experience survey	Number	77.77
3C.3	Annual C-MeX score	Number	72.45
3C.4	Annual net promoter score	Number	7.00
3C.5	Total household complaints	Number	1,465
3C.6	Total connected household properties	Number	289,054
3C.7	Total household complaints per 10,000 connections	Number	50.683
3C.8	Confirmation of communication channels offered <sup>(1)</sup>	TRUE or FALSE	TRUE

- (1) SES Water has five channels available for customers to make contact. These are listed below:
- Phone
  - Email
  - Letter
  - Via the SES Water corporate website (webforms)
  - Via social media channels (Facebook/Twitter)

## 3D – DEVELOPER SERVICES MEASURE OF EXPERIENCE (D-MEX) TABLE

for the 12 months ended 31 March 2024

		Units	Value
3D.1	Qualitative component annual results	Number	74.06
3D.2	Quantitative component annual results	Number	99.90
3D.3	D-MeX score	Number	86.98

## 3E – OUTCOME PERFORMANCE – NON-FINANCIAL PERFORMANCE COMMITMENTS

for the 12 months ended 31 March 2024

		Units	2023/24 performance level – actual	2023/24 target met?
3E.1	Risk of severe restrictions in a drought	%	0.0	Yes
3E.2	Priority services for customers in vulnerable circumstances – PSR reach	%	9.3	Yes
3E.3	Priority services for customers in vulnerable circumstances – Attempted contacts	%	91.2	Yes
3E.4	Priority services for customers in vulnerable circumstances – Actual contacts	%	74.8	Yes
<b>Bespoke PCs</b>				
3E.6	Vulnerable support scheme awareness	%	39.5	No
3E.7	Vulnerable support scheme helpfulness	%	85.1	Yes
3E.8	Pollution incidents	nr	0	Yes
3E.9	Abstraction incentive mechanism	nr	Not triggered	Yes
3E.10	Land based improvement – biodiversity	nr	3	Yes
3E.11	Perception of value for money	%	7	No
3E.12	WINEP delivery	text	met	Yes

## 3H – SUMMARY INFORMATION ON OUTCOME DELIVERY INCENTIVE PAYMENTS

for the 12 months ended 31 March 2024

		Initial calculation of performance payments (excluding C-MeX and D-MeX) £m (2017/18 prices)
<b>Initial calculation of in period revenue adjustment by price control</b>		
3H.1	Water resources	0.00
3H.2	Water network+	0.42
3H.5	Residential retail	0.00
<b>Initial calculation of end of period revenue adjustment by price control</b>		
3H.8	Water resources	0.00
3H.9	Water network+	(0.73)
3H.12	Residential retail	0.00
<b>Initial calculation of end of period RCV adjustment by price control</b>		
3H.15	Water resources	0.00
3H.16	Water network+	0.00
3H.19	Residential retail	0.00

In accordance with Ofwat's prescribed formula, the ODI reward/penalties disclosed in the above table comprise of estimated end-of-period results post cost-sharing, inclusive of PCC, and therefore are calculated on a different basis than Table 3A.

## 4A – WATER BULK SUPPLY INFORMATION

for the 12 months ended 31 March 2024

		Volume MI	Operating costs £'000	Revenue £'000
4A.1	Southern Water Services	487.37	273.969	622.722
4A.2	Leep Networks (Water) Ltd	32.52	14.851	33.755
4A.26	Total bulk supply exports	591.89	288.820	656.477

Bulk supply water is exported to Leep Networks (Water) Ltd and Southern Water Services Ltd. Ww have not received any bulk imports in the reporting year.

## 4C – IMPACT OF PRICE CONTROL PERFORMANCE TO DATE ON RCV

### for the 12 months ended 31 March 2024

	Water resources £'000	Water network+ £'000
<b>Totex (net of business rates, abstraction licence fees and grants and contributions)</b>		
4C.1 Final Determination allowed totex (net of business rates, abstraction licence fees and grants and contributions)	4,630	40,806
4C.2 Actual totex (net of business rates, abstraction licence fees and grants and contributions)	4,702	52,932
4C.3 Transition expenditure	-	-
4C.4 Disallowable costs	-	-
4C.5 Total actual totex (net of business rates, abstraction licence fees and grants and contributions)	4,702	52,932
4C.6 Variance	72	12,126
4C.7 Variance due to timing of expenditure	-	-
4C.8 Variance due to efficiency	72	12,126
4C.9 Customer cost sharing rate - outperformance	55%	55%
4C.10 Customer cost sharing rate - underperformance	45%	45%
4C.11 Customer share of totex overspend	32	5,412
4C.12 Customer share of totex underspend	-	-
4C.13 Company share of totex overspend	40	6,714
4C.14 Company share of totex underspend	-	-
<b>Totex - business rates and abstraction licence fees</b>		
4C.15 Final Determination allowed totex - business rates and abstraction licence fees	1,285	3,524
4C.16 Actual totex - business rates and abstraction licence fees	1,727	3,190
4C.17 Variance - business rates and abstraction licence fees	442	(334)
4C.18 Customer cost sharing rate - business rates	75%	75%
4C.19 Customer cost sharing rate - abstraction licence fees	75%	75%
4C.20 Customer share of totex over/underspend - business rates and abstraction licence fees	331	(250)
4C.21 Company share of totex over/underspend - business rates and abstraction licence fees	111	(84)
<b>Totex not subject to cost sharing</b>		
4C.22 Final Determination allowed totex - not subject to cost sharing	-	2,927
4C.23 Actual totex - not subject to cost sharing	129	1,011
4C.24 Variance - 100% Company allocation	129	(1,916)
4C.25 Total customer share of totex overspend	363	5,162
<b>RCV</b>		
4C.26 Total customer share of totex overspend	363	5,162
4C.27 PAYG rate	82.15%	52.26%
4C.28 RCV element of cumulative totex overspend	65	2,464

**for the price control period to date**

	Water resources £'000	Water network+ £'000	
<b>Totex (net of business rates, abstraction licence fees and grants and contributions)</b>			
4C.1	Final Determination allowed totex (net of business rates, abstraction licence fees and grants and contributions)	18,238	176,677
4C.2	Actual totex (net of business rates, abstraction licence fees and grants and contributions)	20,290	202,655
4C.3	Transition expenditure	-	-
4C.4	Disallowable costs	-	-
4C.5	Total actual totex (net of business rates, abstraction licence fees and grants and contributions)	20,290	202,655
4C.6	Variance	2,052	25,978
4C.7	Variance due to timing of expenditure	-	-
4C.8	Variance due to efficiency	2,052	25,978
4C.9	Customer cost sharing rate - outperformance	55%	55%
4C.10	Customer cost sharing rate - underperformance	45%	45%
4C.11	Customer share of totex overspend	916	11,595
4C.12	Customer share of totex underspend	-	-
4C.13	Company share of totex overspend	1,136	14,383
4C.14	Company share of totex underspend	-	-
<b>Totex - business rates and abstraction licence fees</b>			
4C.15	Final Determination allowed totex - business rates and abstraction licence fees	4,768	13,078
4C.16	Actual totex - business rates and abstraction licence fees	5,887	11,395
4C.17	Variance - business rates and abstraction licence fees	1,119	(1,683)
4C.18	Customer cost sharing rate - business rates	75%	75%
4C.19	Customer cost sharing rate - abstraction licence fees	75%	75%
4C.20	Customer share of totex over/underspend - business rates and abstraction licence fees	839	(1,262)
4C.21	Company share of totex over/underspend - business rates and abstraction licence fees	280	(421)
<b>Totex not subject to cost sharing</b>			
4C.22	Final Determination allowed totex - not subject to cost sharing	-	10,596
4C.23	Actual totex - not subject to cost sharing	258	2,699
4C.24	Variance - 100% Company allocation	258	(7,897)
4C.25	Total customer share of totex over/(under)spend	1,755	10,333
<b>RCV</b>			
4C.26	Total customer share of totex over/(under)spend	1,755	10,333
4C.27	PAYG rate	82%	50%
4C.28	RCV element of cumulative totex over/(under)spend	325	5,202
4C.29	Adjustment for ODI outperformance payment or underperformance payment	-	-
4C.30	Green recovery	-	-
4C.31	RCV determined at FD at 31 March	16,931	330,429
4C.32	Projected 'shadow' RCV	17,256	335,631

The 'shadow' RCV above has been calculated in accordance with Ofwat guidance and assumes the lower level of wholesale totex compared with the PR19 Final Determination.

## 4D – TOTEX ANALYSIS WATER RESOURCES AND WATER NETWORK+

for the 12 months ended 31 March 2024

	Water network+				Total £'000	
	Water resources £'000	Raw water transport £'000	Water treatment £'000	Treated water distribution £'000		
<b>Operating expenditure</b>						
4D.1	Base operating expenditure	6,048	545	12,961	22,566	<b>42,120</b>
4D.2	Enhancement operating expenditure	-	-	-	-	<b>-</b>
4D.3	Developer services operating expenditure	-	-	-	2,111	<b>2,111</b>
4D.4	Total operating expenditure excluding third party services	6,048	545	12,961	24,677	<b>44,231</b>
4D.5	Third party services	-	-	-	2	<b>2</b>
4D.6	Total operating expenditure	6,048	545	12,961	24,679	<b>44,233</b>
<b>Grants and contributions</b>						
4D.7	Grants and contributions – operating expenditure	-	-	-	(2,645)	<b>(2,645)</b>
<b>Capital expenditure</b>						
4D.8	Base capital expenditure	510	-	3,130	11,816	<b>15,456</b>
4D.9	Enhancement capital expenditure	-	-	-	6,269	<b>6,269</b>
4D.10	Developer services capital expenditure	-	-	-	378	<b>378</b>
4D.11	Total gross capital expenditure (excluding third party)	510	-	3,130	18,463	<b>22,103</b>
4D.12	Third party services	-	-	-	-	<b>-</b>
4D.13	Total gross capital expenditure	510	-	3,130	18,463	<b>22,103</b>
<b>Grants and contributions</b>						
4D.14	Grants and contributions – capital expenditure	-	-	-	-	<b>-</b>
4D.15	Net totex	6,558	545	16,091	40,497	<b>63,691</b>
<b>Cash expenditure</b>						
4D.16	Pension deficit recovery payments	-	-	-	-	<b>-</b>
4D.17	Other cash items	-	-	-	-	<b>-</b>
4D.18	Totex including cash items	6,558	545	16,091	40,497	<b>63,691</b>

## 4H – FINANCIAL METRICS

### for the 12 months ended 31 March 2024

	Units	Current year	AMP to date
<b>Financial indicators</b>			
4H.1 Net debt	£m	274.681	
4H.2 Regulatory equity	£m	72.679	
4H.3 Regulatory gearing	%	79.08%	
4H.4 Post tax return on regulatory equity	%	(32.36%)	
4H.5 RORE (return on regulatory equity)	%	(6.07)%	(3.05)%
4H.6 Dividend yield	%	0.00%	
4H.7 Retail profit margin – Household	%	(6.24%)	
4H.8 Retail profit margin – Non household	%	0.00%	
4H.10 Credit rating – Moody's	Text	Baa2 (Stable)	
4H.12 Return on RCV	%	1.39%	
4H.13 Dividend cover	dec	0.000	
4H.14 Funds from operations (FFO)	£m	10.273	
4H.15 Interest cover (cash)	dec	1.919	
4H.16 Adjusted interest cover ratio (ACICR)	dec	(0.382)	
4H.17 FFO/Net debt	dec	0.037	
4H.18 Effective tax rate	%	(0.74%)	
4H.19 Retained cash flow (RCF)	£m	10.273	
4H.20 RCF/Net debt	dec	0.037	
<b>Borrowings</b>			
4H.21 Proportion of borrowings which are fixed rate	%	12.44%	
4H.22 Proportion of borrowings which are floating rate	%	20.23%	
4H.23 Proportion of borrowings which are index linked	%	67.34%	
4H.24 Proportion of borrowings due within 1 year or less	%	20.00%	
4H.25 Proportion of borrowings due in more than 1 year but no more than 2 years	%	1.00%	
4H.26 Proportion of borrowings due in more than 2 years but no more than 5 years	%	0.00%	
4H.27 Proportion of borrowings due in more than 5 years but no more than 20 years	%	79.00%	
4H.28 Proportion of borrowings due in more than 20 years	%	0.00%	

Post-tax returns on regulatory equity have, in contrast to the RoRE estimate, been affected by both accounting policies and the impact of high inflation (on the indexation of the Company's principal long-term debt instrument). The accounting treatment of infrastructure renewals expenditure under FRS 101 continues to have a substantial effect upon accounting-based measures. All planned infrastructure asset renewal expenditure has been capitalised (in accordance with FRS 101) and depreciated over an estimated useful economic life of 100 years. Any residual book value of pipes being replaced has been written off on commissioning of new assets.

The RORE stood at (6.07)% for the financial year 2023/24, this is 2.64% lower than last year's RORE. The financing adjustment in the return on regulatory equity was the biggest factor to the adverse variance in the RORE, decreasing by 1.98% YoY, this is mainly due to the cost of debt increase of 2.12%. The movement of CPIH for the year is 3.23% less than the previous year whereas the debt cost in relation to the average net debt has only lessened by 1.8%, which has led to an increase in the difference between effective and allowed rate by 1.41% as the allowed cost per the final determination moved minimally. The AMP RORE has decreased grown by 0.74%, mostly due to the movement of this year.

## 4H – FINANCIAL METRICS CONTINUED

Below is a reconciliation between the interest expense and the interest paid in the year as per the cash flow statement.

	£'000	£'000
Interest expense (1A.7)		<b>30,491</b>
Less: Non-cash items		
Indexation of bond	(18,180)	
Amortisation of bond	(438)	
AICR Amendment fee	(649)	
ROU lease interest	(44)	<b>(19,311)</b>
Net Interest Paid (1D.10)		<b>11,180</b>

Below you will find the formula we did in order to arrive at the Adjusted interest cover ratio (ACICR) number of (0.382) under 4H.16

<b>Adjusted Interest Cover (ACICR)</b>	
FFO	10.273
Interest paid	30.491
Less:	
Bond Indexation + other costs	(19.311)
RCV Run off	(25.723)
Total (FFO + Interest paid + RCV Run off)	(4.27)
Interest Paid	30.491
Less Bond Indexation + other costs	(19.311)
Interest	11.180
<b>ACICR (FFO + Interest + RCV Run off) / Interest</b>	<b>(0.382)</b>

## 4J – BASE EXPENDITURE ANALYSIS

for the 12 months ended 31 March 2024

		Water network+					Total £'000
		Water resources £'000	Raw water distribution £'000	Raw water storage £'000	Water treatment £'000	Treated water distribution £'000	
<b>Operating expenditure</b>							
4J.1	Power	2,264	544	-	739	3,530	<b>7,077</b>
4J.2	Income treated as negative expenditure	-	-	-	-	70	<b>70</b>
4J.3	Bulk supply	-	-	-	-	289	<b>289</b>
4J.4	Renewals expensed in year (infrastructure)	-	-	-	-	-	<b>-</b>
4J.5	Renewals expensed in year (non-infrastructure)	-	-	-	-	-	<b>-</b>
4J.6	Other operating expenditure	2,057	-	-	8,127	15,173	<b>25,357</b>
4J.7	Local authority and Cumulo rates	30	-	-	47	3,143	<b>3,220</b>
<b>Service Charges</b>							
4J.8	Canal & River Trust abstraction charges/discharge consents	-	-	-	-	-	<b>-</b>
4J.9	Environment Agency/ NRW abstraction charges/ discharge consents	1,697	-	-	-	-	<b>1,697</b>
4J.10	Other abstraction charges/ discharge consents	-	-	-	-	-	<b>-</b>
<b>Other operating expenditure</b>							
4J.11	Costs associated with Traffic Management Act	-	-	-	-	362	<b>362</b>
4J.12	Costs associated with lane rental schemes	-	-	-	-	-	<b>-</b>
4J.13	Statutory water softening	-	-	-	4,048	-	<b>4,048</b>
4J.14	Total base operating expenditure	6,048	544	-	12,961	22,567	<b>42,120</b>
<b>Capital expenditure</b>							
4J.15	Maintaining the long-term capability of the assets - infra	-	-	-	-	5,468	<b>5,468</b>
4J.16	Maintaining the long-term capability of the assets - non-infrastructure	510	-	-	3,130	6,347	<b>9,987</b>
4J.17	Total base capital expenditure	510	-	-	3,130	11,815	<b>15,455</b>
<b>Traffic Management Act</b>							<b>Number</b>
4J.18	Projects incurring costs associated with Traffic Management Act	-	-	-	-	248	<b>248</b>

## 4N – DEVELOPER SERVICES EXPENDITURE – WATER NETWORK+

for the 12 months ended 31 March 2024

	Water network+ Treated water distribution		<b>Total £'000</b>
	Capex £'000	Opex £'000	
4N.1 New connections	375	1,750	<b>2,125</b>
4N.2 Requisition mains	-	-	-
4N.3 Infrastructure network reinforcement	3	-	<b>3</b>
4N.4 s185 diversions	-	-	-
4N.5 Other price controlled activities	-	-	-
4N.6 Total developer services expenditure	378	1,750	<b>2,128</b>

## 4P – EXPENDITURE ON NON-PRICE CONTROL DIVERSIONS

for the 12 months ended 31 March 2024

	Water resources £'000	Water network+ £'000	<b>Total £'000</b>
<b>Capex</b>			
4P.1 Capex associated with NSWRA diversions	-	-	-
4P.2 Capex associated with other non-price control diversions	-	-	-
4P.3 Other developer services non-price control capex	-	-	-
4P.4 Developer services non-price control capex	-	-	-
<b>Opex</b>			
4P.5 Opex associated with NSWRA diversions	-	362	<b>362</b>
4P.6 Opex associated with other non-price control diversions	-	-	-
4P.7 Other developer services non-price control opex	-	-	-
4P.8 Developer services non-price control opex	-	362	<b>362</b>
<b>Totex</b>			
4P.9 Diversions – NRSWA	-	362	<b>362</b>
4P.10 Diversions – other non-price control	-	-	-
4P.11 Other developer services non-price control totex	-	-	-
4P.12 Developer services non-price control totex	-	362	<b>362</b>

## 4Q – DEVELOPER SERVICES – NEW CONNECTIONS, PROPERTIES AND MAINS

	Units	Total Number
<b>Connections volume data</b>		
4Q.1 New connections (residential – excluding NAVs)	nr	509
4Q.2 New connections (business – excluding NAVs)	nr	25
4Q.3 Total new connections served by incumbent	nr	534
4Q.4 New connections – SLPs	nr	16
<b>Properties volume data</b>		
4Q.5 New properties (residential – excluding NAVs)	nr	855
4Q.6 New properties (business – excluding NAVs)	nr	25
4Q.7 Total new properties served by incumbent	nr	880
4Q.8 New residential properties served by NAVs	nr	0
4Q.9 New business properties served by NAVs	nr	0
4Q.10 Total new properties served by NAVs	nr	0
4Q.11 Total new properties	nr	880
4Q.12 New properties – SLP connections	nr	211
<b>New water mains data</b>		
4Q.13 Length of new mains (km) – requisitions	nr	4
4Q.14 Length of new mains (km) – SLPs	nr	4

## 4R – CONNECTED PROPERTIES, CUSTOMERS AND POPULATION

	Units	Unmeasured	Measured	Total	Voids
<b>Customer numbers – average during the year</b>					
4R.1 Residential water only customers	'000s	71.432	217.622	<b>289.054</b>	6.903
4R.2 Residential wastewater only customers	'000s			<b>0.000</b>	
4R.3 Residential water and wastewater customers	'000s			<b>0.000</b>	
4R.4 Total residential customers	'000s	71.432	217.622	<b>289.054</b>	6.903
4R.5 Business water only customers	'000s	1.800	10.902	<b>12.702</b>	0.965
4R.6 Business wastewater only customers	'000s			<b>0.000</b>	
4R.7 Business water & wastewater customers	'000s			<b>0.000</b>	
4R.8 Total business customers	'000s	2.121	11.546	<b>13.667</b>	0.965
4R.9 Total customers	'000s	73.232	228.524	<b>301.756</b>	7.868

	Units	Unmeasured	Measured	Total
<b>Property numbers – average during the year</b>				
4R.10 Residential properties billed	'000s	94.440	189.731	<b>284.171</b>
4R.11 Residential void properties	'000s			<b>6.903</b>
4R.12 Total connected residential properties	'000s			<b>291.074</b>
4R.13 Business properties billed	'000s	1.800	10.902	<b>12.702</b>
4R.14 Business void properties	'000s			<b>0.965</b>
4R.15 Total connected business properties	'000s			<b>13.667</b>
4R.16 Total connected properties	'000s			<b>304.741</b>

	Units	Unmeasured	Measured	Total
<b>Property and meter numbers – at end of year (31 March)</b>				
4R.17 Total new residential properties connected in year	'000s	0.000	1.066	<b>1.066</b>
4R.18 Total number of new business properties connections	'000s	0.000	0.025	<b>0.025</b>
4R.19 Residential properties billed at year end	'000s	94.440	189.731	<b>284.171</b>
4R.20 Residential properties unbilled at year end	'000s			<b>0.000</b>
4R.21 Residential void properties at year end	'000s	1.691	5.212	<b>6.903</b>
4R.22 Total connected residential properties at year end	'000s	96.131	194.943	<b>291.074</b>
4R.23 Business properties billed at year end	'000s	1.800	10.902	<b>12.702</b>
4R.24 Business properties unbilled at year end	'000s			<b>0.000</b>
4R.25 Business void properties at year end	'000s	0.321	0.644	<b>0.965</b>
4R.26 Total connected business properties at year end	'000s	2.121	11.546	<b>13.667</b>
4R.27 Total connected properties at year end	'000s	98.252	206.489	<b>304.741</b>

	Units	Water		
<b>Population data</b>				
4R.28 Resident population	'000s	751.935		
	Units	Water		
		Resident population	Non-resident population	<b>Total</b>
<b>Household population data</b>				
4R.30 Household population	'000s	732.523	10.980	<b>743.503</b>
4R.31 Household measured population (water only)	'000s	490.558	7.353	<b>497.911</b>
4R.32 Household unmeasured population (water only)	'000s	241.965	3.627	<b>245.592</b>

## 4W – DEFINED BENEFIT PENSION SCHEME – ADDITIONAL INFORMATION

### for the 12 months ended 31 March 2024

Scheme details			Pension Scheme 1	Pension Scheme 2	Total
4W.1	Scheme name	Text	Water Companies Pensions Scheme (WCPS)	Unfunded Benefits	-
4W.2	Scheme status	Text	Scheme Closed	Scheme closed	-
			-	-	-
	Scheme valuation under IAS/IFRS/FRS				
4W.3	Scheme assets	£m	72.278	-	<b>72.278</b>
4W.4	Scheme liabilities	£m	(63.698)	(1.332)	<b>(65.030)</b>
4W.5	Scheme surplus/(deficit) Total	£m	8.580	(1.332)	<b>7.248</b>
4W.6	Scheme surplus/(deficit) Appointed business	£m	8.580	(1.332)	<b>7.248</b>
4W.7	Pension deficit recovery payments	£m	-	-	-
	Scheme valuation under part 3 of Pensions Act 2004				
4W.8	Scheme funding valuation date	£m	31/03/2020		
4W.9	Assets	£m	122.400	-	<b>122.400</b>
4W.10	Technical Provisions	£m	(118.400)	-	<b>(118.400)</b>
4W.11	Scheme surplus/(deficit)	£m	4.000	-	<b>4.000</b>
4W.12	Discount rate assumptions	£m	Fixed interest gilts curve + 0.2%		

The WCPS figures relate to Sutton & East Surrey Water section of the Water Companies Pension Scheme.

The latest full actuarial valuation we have available was conducted on 31 March 2020 by Lan Clark & Peacock LLP. There was a full actuarial valuation which took place for the end of March 2023, however that will not be available pre submission of APR 2024.

The latest actuarial valuation of the Water Companies Pension Scheme was conducted as at 31 March 2020 by Lane Clark and Peacock LLP. An actuarial valuation as at 31 March 2023 is currently underway but has not yet been completed, the unfunded benefits arrangements are not registered UK pension schemes, they are contractual agreements between SES Water and the individuals.

## 5A – WATER RESOURCES ASSET AND VOLUMES DATA

for the 12 months ended 31 March 2024

	Units	Total
<b>Water resources</b>		
5A.1 Water from impounding reservoirs	MI/d	0.00
5A.2 Water from pumped storage reservoirs	MI/d	24.37
5A.3 Water from river abstractions	MI/d	0.00
5A.4 Water from groundwater works, excluding managed aquifer recharge (MAR) water supply schemes	MI/d	145.01
5A.5 Water from artificial recharge (AR) water supply schemes	MI/d	0.00
5A.6 Water from aquifer storage and recovery (ASR) water supply schemes	MI/d	0.00
5A.7 Water from saline abstractions	MI/d	0.00
5A.8 Water from water reuse schemes	MI/d	0.00
5A.9 Number of impounding reservoirs	nr	0
5A.10 Number of pumped storage reservoirs	nr	1
5A.11 Number of river abstractions	nr	0
5A.12 Number of groundwater works, excluding MAR water supply schemes	nr	68
5A.13 Number of AR water supply schemes	nr	0
5A.14 Number of ASR water supply schemes	nr	0
5A.15 Number of saline abstraction schemes	nr	0
5A.16 Number of reuse schemes	nr	0
5A.17 Total number of sources	nr	69
5A.18 Total number of water reservoirs	nr	1
5A.19 Total volumetric capacity of water reservoirs	MI	10,018
5A.20 Total number of intake and source pumping stations	nr	40
5A.21 Total installed power capacity of intake and source pumping stations	kW	7,278
5A.22 Total length of raw water abstraction mains and other conveyors	km	71.23
5A.23 Average pumping head – raw water abstraction	m.hd	39.50
5A.24 Energy consumption – water resources (MWh)	MWh	14,535.037
5A.25 Total number of raw water abstraction imports	nr	0
5A.26 Water imported from third parties to raw water abstraction systems	MI/d	0.00
5A.27 Total number of raw water abstraction exports	nr	0
5A.28 Water exported to third parties from raw water abstraction systems	MI/d	0.00
5A.29 Water resources capacity (measured using water resources yield)	MI/d	207.95
5A.30 Total number of completed investigations (WINEP/NEP), cumulative for AMP	nr	7

## 5B – WATER RESOURCES OPERATING COST ANALYSIS

for the 12 months ended 31 March 2024

	Units	Impounding reservoir	Pumped storage	River abstractions	Groundwater, excluding MAR water supply schemes	Total
5B.1 Power	£k	-	-	292	1,971	<b>2,263</b>
5B.2 Income treated as negative expenditure	£k	-	-	-	-	-
5B.3 Abstraction charges/discharge consents	£k	-	-	-	1,697	<b>1,697</b>
5B.4 Bulk supply	£k	-	-	-	-	-
<b>Other operating expenditure</b>						
5B.5 Renewals expensed in year (infrastructure)	£k	-	-	-	-	-
5B.6 Renewals expensed in year (non-infrastructure)	£k	-	-	-	-	-
5B.7 Other operating expenditure excluding renewals	£k	149	-	342	1,571	<b>2,062</b>
5B.8 Local authority and Cumulo rates	£k	-	-	4	27	<b>31</b>
5B.9 Total operating expenditure (excluding third party)	£k	149	-	638	5,266	<b>6,053</b>

Note: SES Water does not have any artificial recharge or aquifer storage and recover schemes. Therefore, we only report the sources applicable to us.

# 6A – RAW WATER TRANSPORT, RAW WATER STORAGE AND WATER TREATMENT DATA

for the 12 months ended 31 March 2024

	Units	Input
<b>Raw water transport and storage</b>		
6A.1 Total number of balancing reservoirs	nr	0
6A.2 Total volumetric capacity of balancing reservoirs	MI	0
6A.3 Total number of raw water transport stations	nr	1
6A.4 Total installed power capacity of raw water transport pumping stations	kW	396
6A.5 Total length of raw water transport mains and other conveyors	km	9.35
6A.6 Average pumping head – raw water transport	m.hd	20.35
6A.7 Energy consumption – raw water transport (MWh)	MWh	3635.544
6A.8 Total number of raw water transport imports	nr	0
6A.9 Water imported from third parties to raw water transport systems	MI/d	0.00
6A.10 Total number of raw water transport exports	nr	0
6A.11 Water exported to third parties from raw water transport systems	MI/d	0.00
6A.12 Total length of raw and pre-treated (non-potable) water transport mains for supplying customers	km	3.19

	Surface water		Groundwater	
	Water treated MI/d	Number of works nr	Water treated MI/d	Number of works nr
<b>Water treatment – treatment type analysis</b>				
6A.13 All simple disinfection works	0.00	0	0.00	0
6A.14 W1 works	0.00	0	0.00	0
6A.15 W2 works	0.00	0	0.00	0
6A.16 W3 works	0.00	0	36.82	4
6A.17 W4 works	0.00	0	104.51	3
6A.18 W5 works	25.38	1	0.00	0
6A.19 W6 works	0.00	0	0.00	0

	% of total DI DI	Number of works nr
<b>Water treatment - works size</b>		
6A.20 Water treatment works in size band 1	0.0	0
6A.21 Water treatment works in size band 2	0.0	0
6A.22 Water treatment works in size band 3	0.0	1
6A.23 Water treatment works in size band 4	2.4	1
6A.24 Water treatment works in size band 5	3.3	1
6A.25 Water treatment works in size band 6	43.9	3
6A.26 Water treatment works in size band 7	50.3	2
6A.27 Water treatment works in size band 8	0.0	0
<b>Water treatment - other information</b>		
	Units	Input
6A.28 Peak week production capacity (PWPC)	MI/d	242.90
6A.29 Total PWPC having enhancement expenditure for grey solution improvements to address raw water quality deterioration	MI/d	0.00
6A.30 Total PWPC having enhancement expenditure for green solutions improvements to address raw water quality deterioration	MI/d	0.00
6A.31 Total water treated at more than one type of works	MI/d	0.00
6A.32 Number of treatment works requiring remedial action because of raw water deterioration	nr	0
6A.33 Zonal population receiving water treated with orthophosphate	000's	743.503
6A.34 Average pumping head - water treatment	m.hd	17.32
6A.35 Energy consumption - water treatment (MWh)	MWh	15,502.840
6A.36 Total number of water treatment imports	nr	0
6A.37 Water imported from third parties to water treatment works	MI/d	0.00
6A.38 Total number of water treatment exports	nr	0
6A.39 Water exported to third parties from water treatment works	MI/d	0.00

## 6B – TREATED WATER DISTRIBUTION – ASSETS AND OPERATIONS

for the 12 months ended 31 March 2024

	Units	Input
<b>Assets and operations</b>		
6B.1 Total installed power capacity of potable water pumping stations	kW	12,935
6B.2 Total volumetric capacity of service reservoirs	MI	362.4
6B.3 Total volumetric capacity of water towers	MI	5.1
6B.4 Water delivered (non-potable)	MI/d	0.00
6B.5 Water delivered (potable)	MI/d	144.59
6B.6 Water delivered (billed measured residential properties)	MI/d	69.73
6B.7 Water delivered (billed measured businesses)	MI/d	23.49
6B.8 Proportion of distribution input derived from impounding reservoirs	Propn 0 to 1	0.000
6B.9 Proportion of distribution input derived from pumped storage reservoirs	Propn 0 to 1	0.152
6B.10 Proportion of distribution input derived from river abstractions	Propn 0 to 1	0.000
6B.11 Proportion of distribution input derived from groundwater works, excluding MAR water supply schemes	Propn 0 to 1	0.848
6B.12 Proportion of distribution input derived from AR water supply schemes	Propn 0 to 1	0.000
6B.13 Proportion of distribution input derived from ASR water supply schemes	Propn 0 to 1	0.000
6B.14 Proportion of distribution input derived from saline abstractions	Propn 0 to 1	0.000
6B.15 Proportion of distribution input derived from water reuse schemes	Propn 0 to 1	0.000
6B.16 Total number of potable water pumping stations that pump into and within the treated water distribution system	nr	34
6B.17 Number of potable water pumping stations delivering treated groundwater into the treated water distribution system	nr	7
6B.18 Number of potable water pumping stations delivering surface water into the treated water distribution system	nr	1
6B.19 Number of potable water pumping stations that re-pump water already within the treated water distribution system	nr	25
6B.20 Number of potable water pumping stations that pump water imported from a third party supply into the treated water distribution system	nr	1
6B.21 Total number of service reservoirs	nr	31
6B.22 Number of water towers	nr	5
6B.23 Energy consumption – treated water distribution (MWh)	MWh	24,223.737
6B.24 Average pumping head – treated water distribution	m.hd	88.17
6B.25 Total number of treated water distribution imports	nr	1
6B.26 Water imported from third parties to treated water distribution systems	MI/d	0.00
6B.27 Total number of treated water distribution exports	nr	3.00
6B.28 Water exported to third parties from treated water distribution systems	MI/d	1.49
6B.29 Peak 7 day rolling average distribution input	MI/d	203.13
6B.30 Peak 7 day rolling average distribution input/annual average distribution input	%	1.23

**for the 12 months ended 31 March 2024**

	Units	Input
<b>Water balance – Company level</b>		
6B.31 Measured household consumption (excluding supply pipe leakage)	MI/d	65.02
6B.32 Unmeasured household consumption (excluding supply pipe leakage)	MI/d	43.80
6B.33 Measured non-household consumption (excluding supply pipe leakage)	MI/d	23.15
6B.34 Unmeasured non-household consumption (excluding supply pipe leakage)	MI/d	1.52
6B.35 Total annual leakage	MI/d	20.67
6B.36 Distribution system operational use	MI/d	2.76
6B.37 Water taken unbilled	MI/d	3.46
6B.38 Distribution input	MI/d	162.06
6B.39 Distribution input (pre-MLE)	MI/d	165.33
<b>Water balance – region 1</b>		
6B.40 Measured household consumption (excluding supply pipe leakage)	MI/d	
6B.41 Unmeasured household consumption (excluding supply pipe leakage)	MI/d	
6B.42 Measured non-household consumption (excluding supply pipe leakage)	MI/d	
6B.43 Unmeasured non-household consumption (excluding supply pipe leakage)	MI/d	
6B.44 Total annual leakage	MI/d	
6B.45 Distribution system operational use	MI/d	
6B.46 Water taken unbilled	MI/d	
6B.47 Distribution input	MI/d	
6B.48 Distribution input (pre-MLE)	MI/d	
<b>Water balance – region 2</b>		
6B.49 Measured household consumption (excluding supply pipe leakage)	MI/d	
6B.50 Unmeasured household consumption (excluding supply pipe leakage)	MI/d	
6B.51 Measured non-household consumption (excluding supply pipe leakage)	MI/d	
6B.52 Unmeasured non-household consumption (excluding supply pipe leakage)	MI/d	
6B.53 Total annual leakage	MI/d	
6B.54 Distribution system operational use	MI/d	
6B.55 Water taken unbilled	MI/d	
6B.56 Distribution input	MI/d	
6B.57 Distribution input (pre-MLE)	MI/d	

We are continuing to conduct work – overseen by Ofwat – to ensure our water balance reporting is compliant with all regulatory guidelines. We have agreed with Ofwat that we will not seek to apply for any outperformance payments associated with our leakage performance until this work is concluded.

## 6B – TREATED WATER DISTRIBUTION – ASSETS AND OPERATIONS CONTINUED

for the 12 months ended 31 March 2024

	Units	Input
<b>Components of total leakage (post-MLE) – Company level</b>		
6B.58 Leakage upstream of DMA	MI/d	3.23
6B.59 Distribution main losses	MI/d	10.60
6B.60 Customer supply pipe losses – measured households excluding void properties	MI/d	3.85
6B.61 Customer supply pipe losses – unmeasured households excluding void properties	MI/d	2.43
6B.62 Customer supply pipe losses – measured non-households excluding void properties	MI/d	0.31
6B.63 Customer supply pipe losses – unmeasured non-households excluding void properties	MI/d	0.04
6B.64 Customer supply pipe losses – void measured households	MI/d	0.11
6B.65 Customer supply pipe losses – void unmeasured households	MI/d	0.06
6B.66 Customer supply pipe losses – void measured non-households	MI/d	0.02
6B.67 Customer supply pipe losses – void unmeasured non-households	MI/d	0.01
<b>Components of total leakage (post-MLE) – region 1</b>		
6B.68 Leakage upstream of DMA	MI/d	
6B.69 Distribution main losses	MI/d	
6B.70 Customer supply pipe losses – measured households excluding void properties	MI/d	
6B.71 Customer supply pipe losses – unmeasured households excluding void properties	MI/d	
6B.72 Customer supply pipe losses – measured non-households excluding void properties	MI/d	
6B.73 Customer supply pipe losses – unmeasured non-households excluding void properties	MI/d	
6B.74 Customer supply pipe losses – void measured households	MI/d	
6B.75 Customer supply pipe losses – void unmeasured households	MI/d	
6B.76 Customer supply pipe losses – void measured non-households	MI/d	
6B.77 Customer supply pipe losses – void unmeasured non-households	MI/d	
<b>Components of total leakage (post-MLE) – region 2</b>		
6B.78 Leakage upstream of DMA	MI/d	
6B.79 Distribution main losses	MI/d	
6B.80 Customer supply pipe losses – measured households excluding void properties	MI/d	
6B.81 Customer supply pipe losses – unmeasured households excluding void properties	MI/d	
6B.82 Customer supply pipe losses – measured non-households excluding void properties	MI/d	
6B.83 Customer supply pipe losses – unmeasured non-households excluding void properties	MI/d	
6B.84 Customer supply pipe losses – void measured households	MI/d	
6B.85 Customer supply pipe losses – void unmeasured households	MI/d	
6B.86 Customer supply pipe losses – void measured non-households	MI/d	
6B.87 Customer supply pipe losses – void unmeasured non-households	MI/d	

## 6C – WATER NETWORK+ – MAINS, COMMUNICATION PIPES AND OTHER DATA

for the 12 months ended 31 March 2024

	Units	Input
<b>Treated water distribution – mains analysis</b>		
6C.1 Total length of potable mains as at 31 March	km	3,526.8
6C.2 Total length of potable mains relined	km	0.0
6C.3 Total length of potable mains renewed	km	6.2
6C.4 Total length of new potable mains	km	8.7
6C.5 Total length of potable water mains ( $\leq 320$ mm)	km	3,305.4
6C.6 Total length of potable water mains ( $> 320$ mm and $\leq 450$ mm)	km	107.5
6C.7 Total length of potable water mains ( $> 450$ mm and $\leq 610$ mm)	km	78.4
6C.8 Total length of potable water mains ( $> 610$ mm)	km	35.4
<b>Treated water distribution – mains age profile</b>		
6C.9 Total length of potable mains laid or structurally refurbished pre-1880	km	20.3
6C.10 Total length of potable mains laid or structurally refurbished between 1881 and 1900	km	293.6
6C.11 Total length of potable mains laid or structurally refurbished between 1901 and 1920	km	243.7
6C.12 Total length of potable mains laid or structurally refurbished between 1921 and 1940	km	952.0
6C.13 Total length of potable mains laid or structurally refurbished between 1941 and 1960	km	254.9
6C.14 Total length of potable mains laid or structurally refurbished between 1961 and 1980	km	367.4
6C.15 Total length of potable mains laid or structurally refurbished between 1981 and 2000	km	634.2
6C.16 Total length of potable mains laid or structurally refurbished between 2001 and 2020	km	714.1
6C.17 Total length of potable mains laid or structurally refurbished post, during and after 2021	km	46.4
<b>Communication pipes</b>		
6C.18 Number of lead communication pipes	nr	99,893
6C.19 Number of galvanised iron communication pipes	nr	4,785
6C.20 Number of other communication pipes	nr	119,065
6C.21 Number of lead communication pipes replaced or relined for water quality	nr	85
<b>Other</b>		
6C.22 Company area	km <sup>2</sup>	835
6C.23 Compliance Risk Index	nr	0.01
6C.24 Event Risk Index	nr	6
6C.25 Properties below reference level at end of year	nr	83

## 6D – DEMAND MANAGEMENT – METERING AND LEAKAGE ACTIVITIES

for the 12 months ended 31 March 2024

	Units	Basic meter	AMR meter	AMI meter
<b>Metering activities – Totex expenditure</b>				
6D.1	£m	0.216	0.087	0.001
6D.2	£m	3.725	0.387	0.003
6D.3	£m	0.010	0.003	0.000
6D.4	£m	0.139	0.066	0.039
6D.5	£m	0.010	0.004	0.000
<b>Metering activities – Explanatory variables</b>				
6D.6	'000s	1.130	0.453	0.004
6D.7	'000s	8.527	0.885	0.007
6D.8	'000s	0.024	0.007	0.000
6D.9	'000s	2.481	1.176	0.000
6D.10	'000s	0.188	0.067	0.000
6D.11	'000s		0.000	0.372
6D.12	'000s			0.000
6D.13	'000s		0.000	0.000
6D.14	'000s			0.000
6D.15	MI/d	0.04	0.01	0.00
6D.16	MI/d	0.00	0.00	0.00
6D.17	MI/d		0.00	0.00
6D.18	MI/d			0.00
6D.19	MI/d		0.00	0.00
6D.20	MI/d			0.00
6D.21	%	62.5	13.4	0.1
<b>Leakage activities</b>				
	Units	Maintaining leakage	Reducing leakage	Total
6D.22	£m	3,966	4,911	8,877
6D.23	MI/d			1.88
<b>Per capita consumption (excluding supply pipe leakage)</b>				
6D.18	l/h/d	130.58		
6D.19	l/h/d	178.35		

## 9A – DEMAND MANAGEMENT – INNOVATION COMPETITION

### for the 12 months ended 31 March 2024

	Units	Current year
<b>Allowed</b>		
9A.1	Allocated innovation competition fund price control revenue	£k 249
<b>Revenue collected for the purposes of the innovation competition</b>		
9A.2	Innovation fund income from customers	£k 249
9A.3	Income from customers to fund innovation projects the company is leading on	£k –
9A.4	Income from customers as part of the inflation top-up mechanism	–
9A.5	Income from other water companies to fund innovation projects the company is leading on	£k –
9A.6	Income from customers that is transferred to other companies as part of the innovation fund	£k 238
9A.7	Non-price control revenue (e.g. royalties)	£k –
9A.8	Administration charge for innovation partner	£k 0.13
<b>Lead on Innovation project – Universal Access Point of Water</b>		
9A.9a	Total amount of funding awarded to the lead company through the innovation fund	£k 224
9A.9b	Total amount of inflation top-up funding received	£k –
9A.9c	Forecast expenditure on innovation fund projects in year (excl 10% partnership contribution)	£k 178
9A.9d	Actual expenditure on innovation fund projects in year (excl 10% partnership contribution)	£k 129
9A.9e	Difference between actual and forecast expenditure	£k (49)
9A.9f	Forecast project lifecycle expenditure on innovation fund projects (excl 10% partnership contribution)	£k 224
9A.9g	Cumulative actual expenditure on innovation fund projects (excl 10% partnership contribution)	£k 129
9A.9h	Difference between actual and forecast expenditure	£k (95)
9A.9i	Allowed future expenditure on innovation fund projects (excl 10% partnership contribution)	£k 95
9A.9j	"In year expenditure on innovation projects funded by shareholders of the lead water company"	£k –
9A.9k	"In year expenditure on innovation projects funded by project partner contributions"	£k –
9A.9l	Cumulative expenditure on innovation projects funded by shareholders of the lead water company	£k –
9A.9m	Cumulative expenditure on innovation projects funded by project partner contributions	£k –

Amounts Received from customers in relation to innovation competitions is held on the balance sheet and paid to winners as dictated by Ofwat and MOSL documentation.

SES has paid out £237.56k in the year regarding innovation competitions. The £237.56k is in relation to the innovation water challenge settlement agreement and catalyst award.

We can confirm that none of the innovation funds were being used for business-as-usual activities, these are ring fenced funds that are used for the initial purpose.

Current appointed cash balance on 31 March 2024 stood at £46.645m, of which £0.258m relates to Innovation fund.

In 2023/2024, there was the commencement of the project "Universal Access Point of Water" in which SES Water were the lead company. In the Project, we were funded a total of £224k, of which £129k has been spent at the end of 31 March 2024. We expect at the end of the project that there will be a total expenditure of £178k, meaning a total of £49k difference to the funding, we will review once the project concludes and liaise with OFWAT on the matter of difference.

Tables in section 10 are only applicable to companies participating in the green recovery, so have therefore been omitted.

# 11A – GREENHOUSE GAS EMISSIONS

for the 12 months ended 31 March 2024

	Units	Total
<b>Scope one emissions</b>		
11A.1 Burning of fossil fuels (location-based)	tCO <sub>2</sub> e	466.444
11A.2 Burning of fossil fuels (market-based)	tCO <sub>2</sub> e	466.444
11A.3 Process and fugitive emissions	tCO <sub>2</sub> e	-
11A.4 Vehicle transport	tCO <sub>2</sub> e	411.602
11A.5 Emissions from land	tCO <sub>2</sub> e	-
11A.6 Total scope one emissions (location-based)	tCO <sub>2</sub> e	878.046
11A.7 Total scope one emissions (market-based)	tCO <sub>2</sub> e	878.046
11A.8 Scope one emissions; GHG type CO <sub>2</sub>	tCO <sub>2</sub> e	868.308
11A.9 Scope one emissions; GHG type CH <sub>4</sub>	tCO <sub>2</sub> e	0.666
11A.10 Scope one emissions; GHG type N <sub>2</sub> O	tCO <sub>2</sub> e	9.071
11A.11 Scope one emissions; GHG other types	tCO <sub>2</sub> e	-
<b>Scope two emissions</b>		
11A.12 Purchased electricity (location-based)	tCO <sub>2</sub> e	10,932.922
11A.13 Purchased electricity (market-based)	tCO <sub>2</sub> e	-
11A.14 Purchased heat	tCO <sub>2</sub> e	-
11A.15 Electric vehicles	tCO <sub>2</sub> e	17.947
11A.16 Removal of electricity to charge electric vehicles at site		13.913
11A.17 Total scope two emissions (location-based)		10,936.956
11A.18 Total scope two emissions (market-based)		4.034
11A.19 Scope two emissions; GHG type CO <sub>2</sub>	tCO <sub>2</sub> e	10,839.058
11A.20 Scope two emissions; GHG type CH <sub>4</sub>	tCO <sub>2</sub> e	47.384
11A.21 Scope two emissions; GHG type N <sub>2</sub> O	tCO <sub>2</sub> e	64.428
11A.22 Scope two emissions; GHG other types	tCO <sub>2</sub> e	-
<b>Scope three emissions</b>		
11A.23 Business travel	tCO <sub>2</sub> e	3.543
11A.24 Outsourced activities	tCO <sub>2</sub> e	321.048
11A.25 Purchased electricity; extraction, production, transmission and distribution (location-based)	tCO <sub>2</sub> e	945.866
11A.26 Purchased electricity; extraction, production, transmission and distribution (market-based)	tCO <sub>2</sub> e	945.866
11A.27 Purchased heat; extraction, production, transmission and distribution	tCO <sub>2</sub> e	-
11A.28 Purchased fuels; extraction, production, transmission and distribution	tCO <sub>2</sub> e	-
11A.29 Chemicals		11,465.974
11A.30 Disposal of waste	tCO <sub>2</sub> e	-
11A.31 Total scope three emissions (location-based)	tCO <sub>2</sub> e	12,736.431
11A.32 Total scope three emissions (market-based)	tCO <sub>2</sub> e	12,736.431
11A.33 Scope three emissions; GHG type CO <sub>2</sub>	tCO <sub>2</sub> e	1,256.440
11A.34 Scope three emissions; GHG type CH <sub>4</sub>	tCO <sub>2</sub> e	4.194
11A.35 Scope three emissions; GHG type N <sub>2</sub> O	tCO <sub>2</sub> e	9.823
11A.36 Scope three emissions; GHG other types	tCO <sub>2</sub> e	-

## for the 12 months ended 31 March 2024

	Units	Total
<b>Gross operational emissions (scope one, two and three)</b>		
11A.37 Gross operational emissions (location-based)	tCO <sub>2</sub> e	24,551.433
11A.38 Gross operational emissions (market-based)	tCO <sub>2</sub> e	13,618.511
<b>Emissions reductions</b>		
11A.39 Exported renewables	tCO <sub>2</sub> e	-
11A.40 Exported biomethane	tCO <sub>2</sub> e	-
11A.41 Insets	tCO <sub>2</sub> e	-
11A.42 Other emissions reductions	tCO <sub>2</sub> e	-
11A.43 Total emissions reductions	tCO <sub>2</sub> e	-
<b>Emissions reductions</b>		
11A.44 Green tariff electricity	tCO <sub>2</sub> e	10,932.922
<b>Net annual emissions</b>		
11A.45 Net annual emissions (location-based)	kgCO <sub>2</sub> e/MI	24,551.433
11A.46 Net annual emissions (market-based)	kgCO <sub>2</sub> e/MI	13,618.511
<b>GHG intensity ratios</b>		
11A.47 Emissions per MI of treated water	tCO <sub>2</sub> e	0.000
<b>Other</b>		
11A.48 Green tariff electricity	tCO <sub>2</sub> e	0.000
<b>Capital projects</b>		
11A.49 Capital projects (cradle-to-gate)	tCO <sub>2</sub> e	7,293.320
11A.50 Capital projects (cradle-to-build)	tCO <sub>2</sub> e	-
<b>Purchased goods and services</b>		
11A.51 Purchased goods and services	tCO <sub>2</sub> e	6,713.280

# NOTES TO THE REGULATORY ACCOUNTS

## 1 – Transactions with associated companies

### Services provided by the Company and recharged to associated companies

Associate company	Company principal activity	Service provided	Turnover of associate during 2023/24	Terms of supply	Value (£'000)
Allmat (East Surrey) Ltd	Builders merchant	Rent of land	2,225	Other market testing	81
Allmat (East Surrey) Ltd	Builders merchant	Management services	2,225	Actual costs	8
Advanced Minerals Ltd	Mineral processing	Management Services	2,309	Actual costs	3
Advanced Minerals Ltd	Mineral processing	Sale of water treatment	2,309	Actual costs	6
Sutton and East Surrey Water Services Ltd	Non-household water retailer	Management services	69,771	Actual costs	264
Sutton and East Surrey Water Services Ltd	Non-household water retailer	Meter reading	69,771	Actual Costs	36
Sutton and East Surrey Water Services Ltd	Non-household water retailer	Wholesale of water	69,771	Market code	6,893
Sutton and East Surrey Water Services Ltd	Non-household water retailer	Rent of land	69,771	Other market testing	55
Pennon Water Services Limited	Non-household water retailer	Wholesale of water	-	Market code	78
Water 2 Business Limited	Non-household water retailer	Wholesale of water	-	Market Code	83
Total value of services provided by the Company					7,507

### Services provided to the Company by associated companies

Associate company	Company principal activity	Service provided	Turnover of associate during 2023/24	Terms of supply	Value (£'000)
Allmat (East Surrey) Ltd	Builders merchant	Materials for maintenance	2,225	Actual cost	3
Advanced Minerals Ltd	Mineral processing	Waste disposal	2,309	Actual cost	32
Sutton and East Surrey Water Services Ltd	Plumbing repairs	Leak repairs	69,771	Competitive tendering	426
Sutton and East Surrey Water Services Ltd	Plumbing repairs	Water efficiency services	69,771	Competitive tendering	27
Total value of services provided to the Company					488

The annual turnover disclosed for the associated companies is derived from their respective unaudited management accounts.

Pennon Water Services became a related party to SES Water on 10 January 2024 following acquisition of the Company by Pennon Group plc.

To the best of the directors' knowledge, all appropriate transactions with associated companies have been disclosed in accordance with Condition F of the Company's Instrument of Appointment and Regulatory Accounting Guidelines 5.07.



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**SES Water**

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SES Water is a trading name of  
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Registered in England number 2447875