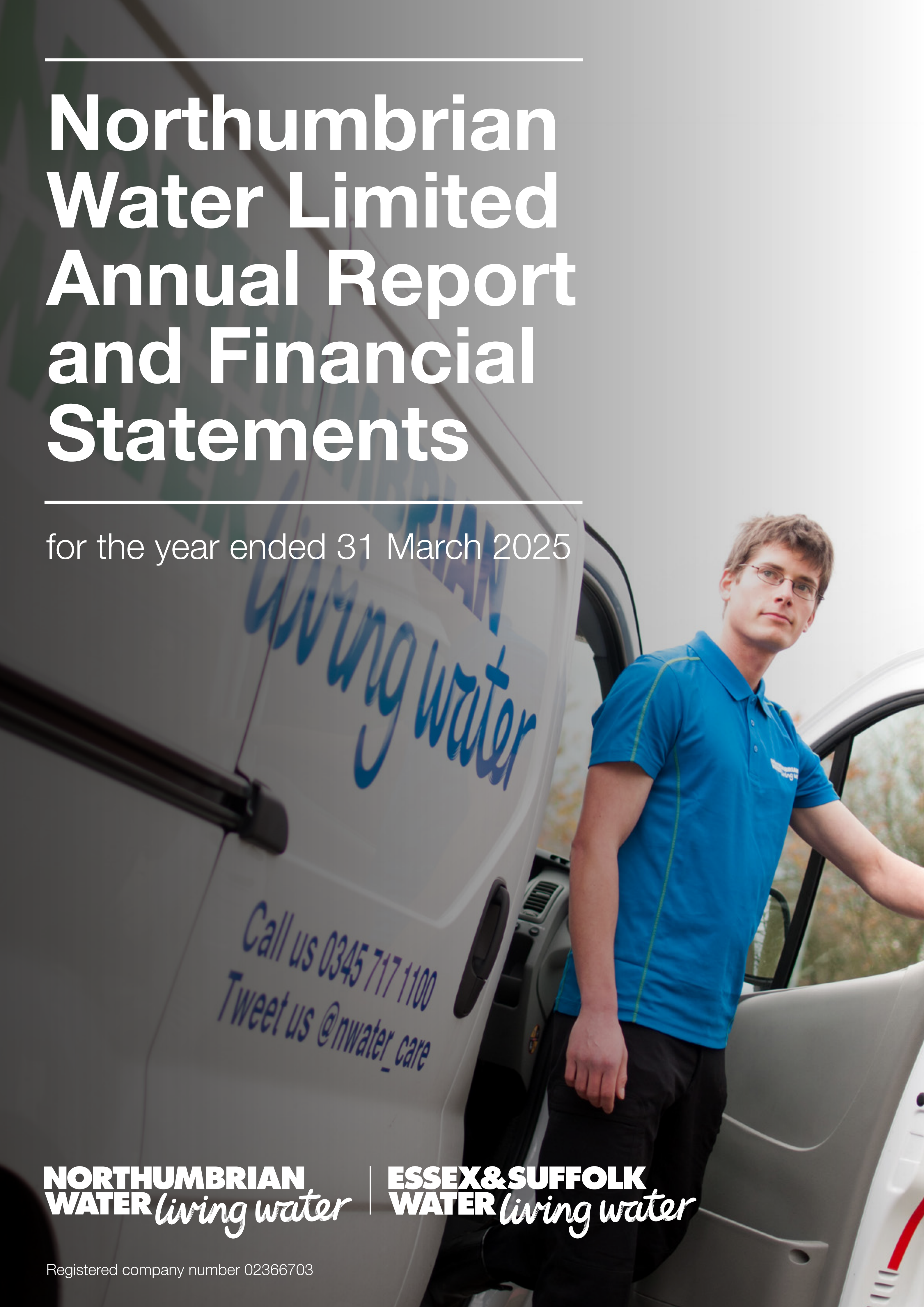
Northumbrian Water Limited Annual Report and Financial Statements

for the year ended 31 March 2025



NORTHUMBRIAN WATER living water | ESSEX&SUFFOLK WATER living water

Registered company number 02366703

Annual Report and Financial Statements

for the year ended 31 March 2025

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This Annual Report and Financial Statements is just one of a suite of documents we have published to provide our stakeholders with easily accessible information on our performance and governance. We have also published:

Annual Performance Report (APR): setting out how we have performed against the commitments we made in our Business Plan for 2020-25 and how we are continually striving to improve the services we deliver to our customers and our business Outcomes.

Data Assurance Summary: explaining how we ensure that the information we report is accurate, clear and transparent and deliver against the commitments in Our Assurance Plan.

Our Purpose: presenting the social, environmental and economic impact we have on the communities we serve.

All of these documents are available on our website at www.nwg.co.uk

Strategic Report

Chairman's statement

For most of our customers, we are the sole provider of vital water and wastewater services. The Board acknowledges the substantial responsibilities that arise from that and the need to consistently work towards meeting the high standards rightfully expected of our Company.

In our Business Plan for 2025-30, we committed to delivering Northumbrian Water Limited's (NWL's) largest ever investment programme, which will further improve environmental outcomes and the high standards and services we already deliver to customers.

Following submission of our Business Plan, the government introduced the Water (Special Measures) Act 2025 and launched the most extensive review of the sector since privatisation.

Despite the uncertain legal and regulatory environment, we remain committed to continuing our drive to be the national leader in sustainable water and wastewater services and to delivering unrivalled service to our customers and other stakeholders, now and into the future.

The Board's Statement of our Purpose and our Vision, and the values which underpin our approach, are set out in our Business Model on page 8. These anchor our firm commitment to achieving this vision. Being a purpose-led organisation has helped us deliver the best levels of customer service in the sector, alongside high levels of trust and a strong track record for protecting and enhancing the environment.

Our Purpose sets out our objective of investing prudently and operating efficiently, to provide the essential services our communities rely on for the long term. In the last year we have established an Environment Social and Governance Board Committee and in December 2024 we completed the update of our Articles of Association by inserting a new article that not only aligns with regulatory expectations but reflects our commitment to operating as a socially and environmentally responsible company. The updated Articles, which follow B Corp best practice, are the culmination of work carried out by our Board and Executive Leadership Team over the last five years to develop, embed and report on our company Purpose.

As Chairman, I believe the Board strikes the required balance well, assisted by the robust governance arrangements we have in place which are set out in detail in our Governance report on pages 60 to 96.

At each meeting, the Board has reviewed company performance against a balanced scorecard of measures related to five strategic themes: Customer, Environment, Competitiveness, People and Communities, in addition to health and safety, financial performance and other key factors. A more detailed overview of our work and progress on these themes is set out later in this Strategic Report on pages 20 to 48.

Our Performance scorecard on page 21 outlines how the Board sets the Company's goals and how we are performing against our targets, which are aligned to how we structure management rewards to incentivise delivery of these aspirations.

For many years we have calculated senior remuneration applying a clear methodology which reflects how we perform for our customers and the environment and applies stretching targets. In November 2024, Ofwat assessed all water companies against its expectations for performance-related executive pay (PRP). Consistent with our vision to be national leader, Ofwat's report highlighted our approach to using stretching targets as an example of good practice in the water sector. We were the only water and sewage company that Ofwat considered had met its expectations in making sure that PRP reflects overall performance delivered for customers and the environment, such that no adjustments were required to our PRP. Building on our good governance in this area, our Remuneration Committee are currently considering the implications of the Water (Special Measures) Act 2025. You can see more detail in their report on pages 76 to 89.

Performance

Our Chief Executive Officer (CEO), Heidi Mottram, describes in her Review the progress made in the fifth year of delivering our 2020-25 Business Plan and the performance we have delivered against our commitments made in it.

I am pleased to share that we continue to demonstrate strong performance across various key areas. Notably, we are delighted to be the top company for C-MeX, the water industry measure for customer experience. Our performance and our commitment to open engagement with all stakeholder groups has earned us the distinction of being one of the top 2 most trusted water companies in England and Wales. We are further recognised for our transparent, customer-centric approach and good governance by the Institute of Customer Service and Ethisphere.

We are also the industry leader in minimising water supply interruptions and have made significant strides on key environmental issues that matter most to our customers. Our innovative efforts to reduce the use of storm overflows have yielded positive results, with zero serious pollution incidents reported. Additionally, we have successfully reduced internal sewer flooding and any repeat occurrences.

However, we must also acknowledge the challenges that increasingly stringent legislation poses to our current levels of performance. We are disappointed in our performance on discharge compliance and category 3 pollution incidents. Our management team remains focused on exceeding these performance expectations and delivering the highest standards of service to our customers. In particular, our discharge compliance has improved significantly following investment over the year.

In June 2025, we agreed to accept an enforcement package of £15.7m following Ofwat’s investigation into wastewater compliance. The undertakings we have agreed will be directed into speeding up our storm overflow reduction plans and local initiatives to support local communities and protect and improve the natural environment. This investment will come entirely from our shareholders and will not be paid for by customers’ bills.

Alongside the activities to deliver against our 2024/25 targets, we have built strong foundations for our Business Plan for 2025-30, which is our boldest plan to date, and addresses key environmental challenges, improves resilience and services to customers, delivers fair investment and supports customers by addressing affordability.

We work hard to make sure our customers' preferences inform the delivery and design of our services, and so our business plan focuses on what matters most to customers and communities. It was clear from our detailed and extensive work with customers that they share our ambitions to improve the environment, and they were concerned about bill rises and affordability given the current cost of living pressures. The final plan was supported by 74% of customers, indicating a high level of support for our proposed activity.

In December 2024, we received our Final Determination (FD) from Ofwat on our Business Plan for 2025-30 and we were pleased that they judged it as ‘high quality’.

However, Ofwat has arrived at a FD for NWL that strikes the wrong balance between the need for investment and the pressure on bills. By rejecting our £180m request for asset health investment, the FD underfunds the necessary resilience of our assets and also prevents us from responding to climate change, for example ruling out back up generation at sewage treatment works, increasing the risk of serious pollution incidents.

We must address the asset health and climate change challenges now to avoid future service disruptions and increased costs to our customers. Maintaining the health of our water and sewerage network assets is fundamental to providing reliable, safe, and sustainable services.

While we are mindful of any impact on customers in this challenging economic environment, accepting the FD would carry the unacceptable risk of us being unable to deliver the outcomes our customers have told us they want in this price control period and beyond. The regulatory framework must balance driving efficiency and service improvements with ensuring the sector’s investability.

Consequently, and as a measure of last resort, on 18 February 2025 the Board requested Ofwat to refer the FD to the Competition and Markets Authority (CMA) for redetermination. While the outcome of the redetermination won’t be known until March 2026 at the latest, we believe NWL will still likely have the lowest water and wastewater average bills in the sector, even incorporating any CMA changes.

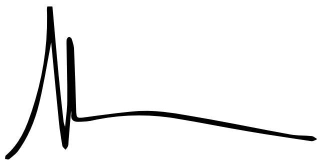
Looking ahead

The ongoing CMA process will not affect our commitment to deliver for customers. The performance of NWL is reliant on the continued engagement, initiative, and hard work of our people. I would like to extend my heartfelt gratitude to all our employees for their focus on delivering excellence throughout this year.

Our teams have already laid the groundwork to make a strong start to the coming price control period by bringing forward investments and forging strong supply chain partnerships in our Living Water Enterprise.

Our 2025-30 plans centre on growth in our capital programme, but also include enhancements to our operational efficiency, embracing cutting-edge technologies and nurturing our culture of continuous improvement. We continue to operate successfully in the context of a challenging and uncertain regulatory and legal environment and the Board works closely with NWL management to understand and address risks and maximise opportunities to meet increasing expectations.

Achieving the ambitious goals we have set will require a shared vision and collaboration with government, regulators, stakeholders, and partners, and in this respect, we welcome the Commission led by Sir Jon Cunliffe and his efforts to establish a long-term vision for the water industry with clear outcomes. We look forward to working closely with the government as it implements recommendations from this very important review.



A J Hunter
Chairman

Chief Executive Officer's review

We are a purpose-led business, and I am proud to be part of a company that is truly committed to its vision of being the national leader in sustainable water and wastewater services. Our ambitious vision guides our plans and actions to deliver exceptional service for our customers and protect the wider environment.

Guided by what matters most to our customers, we use a clear set of measures to keep pushing ourselves further. Our ambitious goals for 2020-25 were meticulously crafted based on extensive customer research and we measure our performance using a balanced scorecard which focuses on the things customers tell us are most important; a clean, clear and reliable supply of water and great customer service, as well as caring for the environment and being a good citizen in our communities.

We're committed to keeping both our employees and customers safe, while also making sure this is a great place to work. We're also proud to offer the lowest average bills in the country, ensuring our services remain affordable while maintaining high standards.

I am delighted to report that we have once again achieved a significant majority of the stretching targets set out in our balanced scorecard. This includes being industry-leading for customer service and at the forefront for other areas such as leakage in our water-stressed Essex & Suffolk Water (ESW) area, supply interruptions, serious pollution incidents and internal sewer flooding. However, we remain vigilant and continually challenge ourselves to go further, investing heavily and working diligently to uphold our track record for protecting and enhancing the environment.

Our people and the communities we serve

We're proud to be one of the UK's most trusted water companies, with a long-standing reputation built on strong partnerships with the communities we serve. Our work is made possible through strong partnerships with local authorities, non-governmental organisations (NGOs), and community groups, enabling us to co-create solutions that deliver long-term environmental and lasting social value.

We have again been named by Ethisphere as one of the World's Most Ethical Companies for the 14th time and are the only UK water company on the list. We have built strong partnerships with our supply chain and local communities and have continued to ensure that more than 60p of every £1 we spend is with local suppliers, ensuring we have a supply chain that helps uphold our social, economic, and environmental standards.

In the community, we've continued to support environmental projects through our Bluespaces and Branch Out programmes, and through Community Funds and our colleague sponsorship programme, helping hundreds of causes across the communities we serve. In addition, more than half of our colleagues volunteered through our Just an Hour scheme, supporting more than 700 charities and completing over 2,700 community activities.

None of these achievements would be possible without the right people, with the right skills, in the right culture, enabled to deliver customer-focused business objectives and thrive in an evolving world of work. I am immensely proud of the work that my colleagues do every day, often in difficult circumstances, to ensure that our customers have reliable and affordable water and wastewater services. It is of utmost importance that their work is carried out to the highest standards of health and safety practices so that every colleague and contractor goes home safe every day.

Customer

We retain our focus on delivering unrivalled customer experiences and we are delighted to be the number one company for C-Mex again. Our strong policies and procedures make sure our colleagues have the right mix of skills, experience, training and accreditation to deliver a world class service for our customers, for now and in the future. This was recognised by the Institute of Customer Service awarding us their ServiceMark.

We have similarly seen pleasing performance in the D-MeX metric, which measures the experience of our developer customers. This can be partly attributed to improvements we have made to connect our customer processes, making it easier to manage the end to end developer experience. In preparation for the new BR-Mex measure, which aims to capture the experience of retailers of water services, we have recruited a BR-Mex lead and established a cross-business group to focus on continuous improvement and improvements to data quality.

I am incredibly pleased that we have continued to make significant strides in reducing sewer flooding, achieving all of our targets and delivering significant improvements for our customers. Over the past five years we have delivered a 69% reduction in internal sewer flooding, and we are now a leading company in this area. Alongside delivering exceptional service, we remain focused on affordability. Our customers benefit from the lowest bills in the country, and we continue to expand our support for those facing financial hardship.

Environment

Our role in protecting the environment remains a core part of our Purpose. We have had no major pollution incidents for the third successive year, seen a reduction in storm overflow spills and have made good progress towards our carbon net-zero goals. Climate change poses the single greatest threat to our natural environment and the sustainability of our company, and we explain how we are improving our resilience through mitigating and adapting to climate change on pages 31 to 39. Our Environment Strategy sets out our commitment to help restore and regenerate our natural environment and there are many examples throughout this report of how we are working in partnership to enhance biodiversity on our landholdings or as part of our investment projects.

We are increasingly turning to nature-based solutions to address environmental challenges. From wetland restoration to sustainable drainage systems, these initiatives not only enhance biodiversity but also improve water quality and resilience. Our partnerships with local conservation groups and environmental NGOs have been instrumental in delivering these outcomes, and we continue to invest in collaborative projects that regenerate natural habitats across our region.

We have already reduced the number of spills from our sewer network, and we continue to focus on driving this number down. I am particularly excited by our pioneering smart sewers project, which uses artificial intelligence (AI) and sensors to manage wastewater flow in real-time across our network with the aim of reducing spills (see case study on page 28 for more details). This is an example of our innovation culture, which is also demonstrated through our internationally renowned annual Innovation Festival, our successful engagement with Ofwat's Innovation Fund, and other projects such as our world leading research into new wastewater treatment processes (see the 'green machine' case study on page 41).

However, we have faced challenges with increasing storms and bad weather and tightening environmental standards. We are disappointed to have missed our targets on discharge permit compliance and minor pollutions. We recognise our performance needs to be better and in response we have developed a tactical improvement plan including increased investment, which I review on a weekly basis, and I'm pleased that we're already seeing significant improvements as a result.

Water

We continue to be one of the leading companies for minimising interruptions to supply, ensuring fewer customers are without supply over longer periods of time. Climate change in the form of storms and subsequent network power outages continues to affect our ability to ensure continuous supply to our customers. We were disappointed to see that Ofwat did not fully approve our proposed plans to reduce power outages in our Business Plan for 2025-30.

Over AMP7 (2020-25) we successfully reduced leakage in both our water stressed area of ESW and in the North East, achieving our regulatory targets for the end of 2020-25. Leakage levels in ESW are comparable to the best in Europe and we continue to drive for further improvements utilising technologies as wide ranging as AI analytics to optimise operational activity, NoDig solutions for fixing leaks and 'LeakBot' devices to detect household leakage. We also recently reached a milestone of 100,000 smart meter installations which will help us to spot customer leaks faster and support customers to use less water.

However, we are disappointed to have failed our Compliance Risk Index target, a water quality measure, once again. Our efforts to improve this important measure continue and over the past year we have sought to deploy new technology to increase the pace of improvement, for example by introducing the use of generative AI to optimise our water treatment works. While this approach is in its early stages, we expect that it will lead to better compliance and substantial cost savings ultimately benefitting our customers by ensuring reliable and high-quality water supply while keeping costs down.

Looking forward

Our Business Plan for 2025-30 was founded on the areas that matter most to our customers and committed us to significant environmental improvements and improvements in water supply resilience. This achieved a careful balance between the largest investment programme the company has ever undertaken, while at the same time maintaining affordable bills for our customers, which remain the lowest in the sector.

Our Chairman has explained on page 5 our reasons for seeking a redetermination from the CMA, but we have ensured that our work to improve our assets and services over the next five years is not delayed. We hit the ground running on AMP8 (2025-30), starting early, building capacity by engaging a strong supply chain and bringing in great talent to ensure we have the capability to meet the demands of this significant capital programme. With strong foundations in place we are focused and ready for the challenges ahead.

I was particularly pleased with the success of our Building Futures graduate scheme, which has recruited two cohorts of graduates, including a significant number of females and from a diverse range of ethnic backgrounds. Securing the culture of our organisation and our collective sense of our Purpose is critical to our success as we grow. While delivering £3.6 billion of investment across our water and wastewater assets is a significant challenge, we have made great progress establishing the foundations and are driving hard to hit the ground running.

We are proud that our customers continue to benefit from the lowest average bills in the sector. Affordability remains a cornerstone of our strategy, and we are committed to supporting those who need help the most. Our financial assistance programmes, including payment matching, social tariffs, and tailored support services, have helped thousands of households manage their bills and stay connected.

My team and I feel confident and well prepared for the challenges and opportunities in the coming years, both in the operational and in the regulatory environment. We know that there is more work to do to improve our performance across areas like water quality and discharge permit compliance, but we are building from a position of strength in many areas. The high levels of trust that our customers place in us is exemplified in consistently industry leading customer service across our water and wastewater activities. These scores reflect the reality of the service that our customers experience, even when things don't always go to plan, and I am grateful for everything that our people do and the caring way they do it, every day and in all weathers.

H Mottram CBE
CEO

Business model

OUR PURPOSE

Caring for the essential needs of our communities and environment, now and for generations to come.

We do this by providing reliable and affordable water and wastewater services for our customers.

We make a positive difference by operating efficiently and investing prudently, to maintain a sustainable and resilient business.

OUR VISION

Our vision is to be the national leader in the provision of sustainable water and waste water services.

OUR STRATEGIC THEMES

- CUSTOMER
- ENVIRONMENT
- COMPETITIVENESS
- PEOPLE
- COMMUNITIES

OUR VALUES

- CUSTOMER FOCUSED
- ONE TEAM
- RESULTS DRIVEN
- ETHICAL
- INNOVATIVE

OUR REPUTATION

Our Purpose

We are a purpose-led business. Our Purpose statement sets out a shared understanding of why our company exists and it guides all our future plans. We have published Our Purpose report, alongside this report, which describes our performance against a series of progress measures and detailed case studies of how we live this out in practice.

Our Vision

Our Vision sits alongside our Purpose and clearly sets out what we want to achieve, to be the national leader in the provision of sustainable water and wastewater services.

Our Strategic Themes

We aim to deliver our Vision through our five Strategic Themes of Customer, Environment, Competitiveness, People and Communities. We measure our performance using a balanced scorecard across all of these Themes and report this performance on page 21.

Our Values

Our Values set out how we behave in order to deliver our Purpose and Vision. These are well recognised and understood across the business.

Our Reputation

How we perform and how we behave underpins our Reputation which is of great importance. Building trust among our customers and wider stakeholders is crucial to achieving our Purpose.


The Cheviots, Northumberland

Our Operating Areas

We provide water and wastewater services to our customers in the North East of England, trading as Northumbrian Water (NW), and water services only to our customers in the south east of England, trading as Essex & Suffolk Water (ESW).

We employ over **3,500** people.

NW supplies water and wastewater services to **2.7 million** people in the major population centres of Tyneside, Wearside and Teesside as well as the large rural areas of Northumberland and County Durham. We provide wastewater services only in Hartlepool.

ESW supplies water services to **2 million** people in Essex and **0.4 million** in Suffolk. Our Essex area is part rural and part urban and includes the main population centres of Chelmsford, Southend and the London Boroughs of Barking and Dagenham and Havering and Redbridge. Our Suffolk area is mainly rural with the largest towns being Great Yarmouth and Lowestoft.

We operate and maintain:

- **50** water treatment works;
- **384** water pumping station;
- **304** water service reservoirs;
- **26,536km** of water mains;
- **411** sewage treatment works;
- **972** sewage pumping stations;
- **30,302km** of sewers.

Every day we supply **1.1 billion** litres of water.

NWL and its subsidiaries are referred to as the 'Group' in this report. NWL is also part of the Northumbrian Water Group (NWGL Group). Further information about the structure and ownership of NWL and the NWGL Group is provided on page 49 of this report.

Northumberland Coast

Essex & Suffolk Coast

Our Highlights

Industry leading customer service
Top performer for C-Mex

Servicemark accreditation for customer service
Awarded ServiceMark by Institute of Customer Service

Reducing water poverty
More than 150,000 customers receiving affordability support

Pollution incidents
No category 1 or 2 pollutions, for the third year running

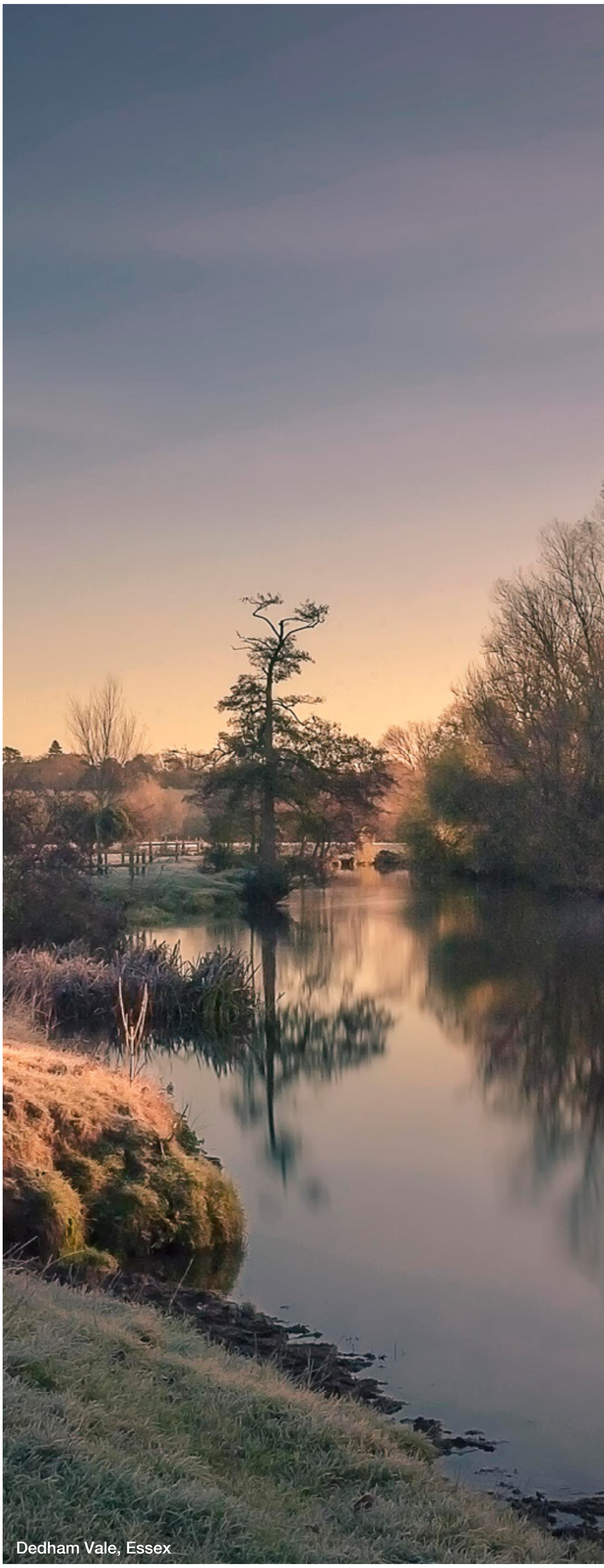
Sewer flooding
Achieved performance commitment on all measures for the second year running

Great place to work
Ranked in the top 40 UK employers as a great place to work by our employees

Ethisphere – world's most ethical companies
Recognised for the 14th time and only water company on the list

Supporting local suppliers
Over 60p in every £1 spent with local suppliers in our operating regions

Leading in Innovation
World's largest smart sewer network and National Underground Asset Register live across UK


Dedham Vale, Essex

Our outcomes: 2020-25

Unrivalled Customer Experience

- Our customers tell us we provide excellent customer service and resolve issues quickly.
- Our customers say they feel informed about the services we provide and the importance of water.
- Our customers say we are a company they trust.
- Our finances are sound, stable and achieve a fair balance between customers and investors.

Building Successful Economies In Our Regions

- We are proud to support our communities by giving time and resources to their important causes.
- We work in partnership with companies and organisations to achieve the goals that are most important to our customers.

Affordable and Inclusive Services

- Our customers say our services are good value for money and we work hard to keep water and wastewater services affordable for all.

Leading In Innovation

- We are an innovative and efficient company.

Reliable and Resilient Services

- We are resilient and provide clean drinking water and effective sewerage services, now and for future generations.
- We always provide a reliable supply of water.
- Our drinking water is clean, clear and tastes good.
- Our sewerage service deals with sewage and heavy rainfall effectively.

Improving The Environment

- We help to improve the quality of rivers and coastal waters for the benefit of people, the environment and wildlife.
- We take care to protect and improve the environment in everything we do, leading by example.

Our Stakeholders

We provide an essential service that is relied on by our customers and communities.

Understanding their experiences, needs and expectations is therefore vital to our business success in the short and long-term. We also seek to build partnerships working towards shared objectives. To achieve this, it's critical for us to engage with the representatives and organisations who share and help to advance their interests, including in relation to the environment in our regions.

We engage proactively with a wide range of stakeholders to understand their views, insight and expertise, and work with them to provide an unrivalled customer experience and deliver our business Outcomes.

Customer voice

Stakeholders	How we engage	Key issues discussed
Customers Understanding customer priorities and preferences, as well as their experiences, is vital to delivering world class services today and preparing for the future.	• Focus groups / deliberative workshop groups, including digital platforms • Co-creation workshops • Email surveys • SMS surveys • Social media • Community Portal • People's Panels • Customer Zone at Innovation Festival • Telephone and door-to-door interviews • Customer letters	• AMP8 plan • Long-term strategies • Drainage and Wastewater Management Plan (DWMP) • Water Resource Management Plans (WRMP) • Water environment improvements • Social tariffs • Non-household priorities • Metering • Billing • Capital investment in local areas
Consumer Council for Water (CCW) CCW helps us understand how we can continue to develop world class customer service and deliver against increasing customer expectations.	• Responding to consultations • Sharing material for review • Quarterly liaison meetings • Attendance at regional public meetings • Bespoke engagement sessions • Industry working groups and best practice forums • Customer Service Network groups	• Complaints management and best practice • Water Matters tracking research • Tariffs, including social tariffs and tariff innovation • Customer engagement • Social purpose • AMP8 plan • Future service provision • Affordability and inclusivity • Sewer flooding • Visible leaks • Demand management • Dealing with adverse weather events
Water Forum Our Water Forum plays a critical role in challenging us on how we improve outcomes and delivery for customers, including through our approach to customer research and engagement.	• Formal meetings, sub-groups and task groups • Deep dive reviews • Meetings with senior managers, Executive Leadership Team (ELT), and Board members • Consultation processes	• Company performance • Customer engagement activity and performance • Financial support for customers • DWMP and WRMP • Drinking water quality improvements

Government and regulatory context

Stakeholders	How we engage	Key issues discussed
Ofwat As our economic regulator, Ofwat plays a key role in setting the conditions for us to fulfil our statutory duties and meet customers' expectations.	• Responding to consultations • Peer to peer contact and meetings • Site visits • APR • Business Plans and price review process • Financial updates	• DWMP and WRMP • Ongoing performance and compliance discussions • Affordability support • Engagement with Ofwat's innovation competition • Response to incidents
Environment Agency (EA) We are committed to delivering excellent environmental outcomes and work closely with the EA to ensure we consistently achieve high standards.	• Responding to consultations • Annual and monthly performance reviews • Management reviews • National strategy and practitioner networks • Industry task and finish groups • Joint working group on pollution incidents and monthly pollution review group meetings • Site visits • Regional and local partnerships and groups, including Regional Flood and Coastal Committee, Northumbria Integrated Drainage Partnership (NIDP) and Catchment Partnerships • Provision of training to local EA officers on request	• Compliance and performance, including pollution and bio-resources • Event duration monitoring • AMP8 plan • Water Industry National Environment Programme (WINEP) development and delivery • DWMP • WRMP • Infrastructure investment and nature based solutions • Net zero target and regional climate initiatives • Nutrient neutrality • Strom Overflows Discharge Reduction Plan • Data transparency
Drinking Water Inspectorate (DWI) Our commitment to providing clean, clear, great tasting water requires us to understand and meet the DWI's expectations for best practice.	• Responding to consultations • Quarterly operational and transformational liaison meetings • Senior leadership strategy meetings • Chief Inspector's report launch meetings • Consultation and negotiation through Water UK groups at board, strategic and policy levels • DWI laboratory liaison groups • Water safety planning forums • Reviews of regulatory commitments • Industry task and finish groups • On site collaborative investigations and audits	• Company compliance assessments • Dissemination of company incidents and agreed learning points • Technical audit feedback • Progress with agreed programmes of work • Internal water quality communication strategy • Collaboration opportunities • National legislation changes • Research outputs
Government and policy makers Politicians, civil servants, and policy makers have a significant influence on the conditions within which we operate. They also have an interest in understanding how we serve our customers and communities.	• Briefings • Site visits • Face to face meetings • Attendance at key forums • Speeches and events • Responding to consultations • Annual review meetings with HMRC	• Environmental performance and net zero commitment • Water demand • Storm overflows and river water quality • Incident response and resilience • Eradicating water poverty • Innovation activity • Tax matters

Our people and partners

Stakeholders	How we engage	Key issues discussed
Colleagues Our colleagues deliver the activities and services that enable us to achieve our ambitious goals on a daily basis. Our success is dependent upon their engagement, collaboration and innovation. Therefore, it's essential to understand their needs and invest in them.	• 'Heidi Live' question and answer session broadcast with CEO • TeamTalk business update events with Leadership Group and cascaded to all colleagues • Company-wide Roadshows • Internal communication channels – The Source intranet, weekly interactive newsletter, email newsflashes, digital screens, Viva Engage • Leadership Conferences • Company-wide employee surveys • Internal networks and forums	• Company performance and scorecard updates • Reinforcing our Company purpose, vision and values • Health, safety and wellbeing campaigns • Diversity and inclusion strategy and campaigns • Innovation projects and ideas • Survey feedback and resulting focus areas
Supply chain partners Our supply chain is vital in enabling us to deliver our services. It is also a significant part of the economic impact we deliver in our regions, through our goal of spending 60p in every £1 with suppliers in our operating areas.	• Joint Framework Governance Groups • Safety, Health and Environment Forum • Integrated programme delivery teams • Joint conferences and workshops • Joint recruitment and development of employees • Leading and participating in industry bodies • Partner participation in our Innovation Festivals	• Innovation and best practice solutions • Sustainable operations including environmental challenges • Stakeholder engagement and customer service improvement • Capex programme delivery • Regional economic development • Community investment initiatives • Responsible procurement approaches

Civil society

Stakeholders	How we engage	Key issues discussed
Local authorities Local authorities are important partners in delivering services within their areas. They also have a deep understanding of the communities we operate in.	• Regular meetings with senior officials and lead councillors • Technical input and support on planning matters • Participation in consultations and steering groups relating to environment or economic development issues	• Asset investment schemes • Local campaigns and customer engagement initiatives • Environmental performance • Local economic benefit • Regional plans, including economic development and environmental initiatives • Eradicating water poverty • WRMP and DWMP • Community investment initiatives
Charities and NGOs We're committed to positive outcomes in our communities and environment. Working with organisations that share this passion and have deep knowledge and expertise enables us to deliver more effectively.	• Sponsorship and donations • Just an Hour volunteering programme • Innovation and development support • Governance support • Meetings and forums • Partnership schemes and collaboration	• PR24 business planning • Environmental activities and investments • Water for health campaigns • Eradicating water poverty • Education initiatives • Regional policy support
Media and opinion formers Media and other influential voices in our regions and industry help us to communicate important messages about our services and understand the impact they have on our audiences.	• News releases • Briefings • Events	• Critical incidents • Investment schemes • Key campaigns, including Bin the Wipe • Environmental initiatives • Water saving / usage advice • Water safety advice • Customer service support • Community initiatives

Investors

Stakeholders	How we engage	Key issues discussed
Investors Our investors ensure we have access to the funding we need to deliver services and invest for the future. They also provide important feedback and insight to inform our business practices.	• Board meetings • Periodic reporting • Investor update on new issuance • Credit investors portal • Credit agency meetings and publications • Engagement with banks	• Health and safety • Regulatory and operational performance • Financial results • Funding, hedging and liquidity • Regulatory environment • Capital programme update • Euro Medium Term Note Programme

Bamburgh, Northumberland

Section 172 statement

The Board of Directors believes that considering our stakeholders in key business decisions is not only the right thing to do but is fundamental to our ability to drive results over the longer term.

The Directors of the Company are bound by their duties under the Companies Act 2006 to promote the success of the Company for the benefit of its members as a whole. In doing so, however, the Directors must have regard to the interests of our stakeholders to ensure the long-term success of the Company. The Board is therefore responsible for ensuring that it fulfils its obligations to those impacted by our business, in its stakeholder consideration. This Section 172(1) statement sets out how the Directors have had regard to the matters stated in section 172(1) (a) to (f) of the Companies Act when performing their duties over the course of this year and provides some examples of how each of our key stakeholders have been considered and engaged.

Further information on how we engage proactively with a wide range of stakeholders to understand their views is detailed on pages 13 to 16.

The likely consequences of any decision in the long term – s172(a)

The nature of our business, with its pricing and activities regulated by Ofwat, the EA and the DWI, requires that the Board always considers the longer-term consequences of our decisions, and this is enshrined in our Purpose Statement.

This long-term perspective underpinned the Board's strategy for the PR24 Business Plan, which set out an ambitious investment plan of an unprecedented scale, critical to achieving net zero carbon and ensuring our water and wastewater infrastructure remains reliable and resilient to serve future generations.

In December 2024, we received our Final Determination from Ofwat on our Business Plan 2025-30 and we were pleased that they judged it as 'high quality'. However, Ofwat arrived at a Final Determination for NWL that struck the wrong balance between the need for investment and the pressure on customer bills. By rejecting our £180m request for asset health investment, the Final Determination underfunded the necessary resilience of our assets and also prevents us from responding to climate change, for example ruling out back up generation at sewage treatment works, increasing the risk of serious pollution incidents. The Board is mindful that the Company must address the asset health and climate change challenges now to avoid future service disruptions and increased costs to its customers. Consequently and as a measure of last resort the Board requested Ofwat to refer the FD to the Competition and Markets Authority for redetermination.

The Board closely monitors the financial position of the business through a rolling five year plan, whilst also considering longer-term financial resilience over an extended time horizon as explained in the Viability Statement on pages 92 to 96. During the year, the Board has also reviewed its Dividend Policy and paid particular attention to how it applied the policy when approving dividends.

The Board, through its Risk & Compliance Sub-committee (R&CSC), monitors the principal risks and uncertainties facing the business including longer-term emerging risks. A detailed review of the emerging risks is carried out each year, most recently in November 2024, which considers horizon scanning reports from external sources. The principal risks and uncertainties, and how they are mitigated, are reported on pages 54 to 59. The Board, based on the work of the R&CSC, decided that the Principal Risks remained the same as the prior year, albeit the description and mitigation of the risks has been updated.

The Board considered and satisfied themselves that there was appropriate clarity, transparency and structure in relation to the risks, given their potentially far-reaching impact on the future success of the Company in the long term.

The Board also created a new Environment, Social and Governance (ESG) Committee focused on long term environmental and sustainability matters.

The interest of the company's employees – s172(b)

Our employees are essential to everything we do and achieve, and their commitment to our purpose and values is critical to the Company's long-term success.

The health, safety, and wellbeing of our employees is a fundamental area of focus and is the first matter considered by the Board at each meeting. Board discussions centre around any lost time accidents or high-risk incidents and the learning points taken from them as well as performance against leading and lagging indicators.

Confidential, truthful employee feedback on what it is like to work for NWL through our annual colleague engagement survey is always encouraged. Employee feedback has provided the Board with insight and challenge and has allowed employee interests to remain a priority when considering key concerns. To further support our colleagues to share their views and report any concerns, we have continued to promote our 'Safe to Say' initiative to ensure that we have robust processes and channels so that colleague voices can be heard and acted upon, and to help us to strengthen our transparent and inclusive culture. We welcome the increased usage of our 'Safe to Say' reporting facility and have continued to investigate and respond to concerns raised promptly. In addition, we introduced an engagement statement relating to Safe to Say in our most recent colleague survey, which confirmed that 85% of colleagues agree that "It's Safe to Say here - I can raise a concern about culture or behaviours, no matter how big or small". This demonstrates the confidence of the majority of our employees to speak up when they have concerns.

Regular updates are provided to the Board, Remuneration and Audit Committees on culture, engagement, diversity and inclusion, gender pay gap and employee pay.

It is vital that we have a diverse workforce, thriving in an inclusive culture. The Board supported the launch of our first Diversity and Inclusion Strategy in October 2022. The Strategy explains why NWL needs to be more representative of our customers and the value of ensuring that all our colleagues are included in our inclusion objectives. Clear milestones have been set in the strategy, which are to be measured by the end of 2025. In a clear indication of positive progress towards these milestones, the Company is proud to have been recognised through 'Great Place to Work - Best Workplaces for Women in 2024' for our work to support wellbeing and career progression for female colleagues in our business and supply chain. We have also been recognised by the British Chamber of Commerce as People and Work Business of the Year.

NWL has again been ranked among 250 organisations on the UK's best workplaces for wellbeing in the 2024 list in the super large category by Great Places to Work. This is in recognition of our colleague health and wellbeing offering, which includes our award-winning 'Living Well' hub – a digital one stop shop for wellbeing, sports and social clubs, wellbeing webinars, flu vaccinations, digital GP service and our colleague-led support networks, which champion and support employees from under-represented backgrounds. We have achieved maintaining excellence for our Better Health at Work Award, which recognises the efforts of employers in the North East and Cumbria in addressing health issues within the workplace. And, following colleague feedback, we are further enhancing our wellbeing offering by working with Sleepstation, an NHS approved service which gives effective solutions that lead to a lifetime of good sleep.

The Board encourages our ambition to support the diverse needs of employees and ensure everyone goes home safe every day, no matter who they are, or what their role is.

The need to foster the company's business relationship with suppliers, customers and others – s172(c)

Engagement with customers and other stakeholders is fundamental to the development of our strategy and plans.

The Board appreciated the opportunity to understand the different perspectives of key stakeholders regarding the challenges facing the sector. Through the Water Forum, the Independent Challenge Group for NWL, which is composed of a balanced blend of industry regulators, subject experts, and independent members, champions on behalf of customers and challenges the company to understand the impact of decisions before they are made. Their challenges begin at a very early stage and continue throughout business planning and the delivery of plans. Additionally, the Board benefits from direct input and feedback from members through the attendance of an Independent Non-Executive Director (INED) at Water Forum meetings.

Everyday business relationships are managed by the Executive Leadership team under the supervision of the Board, and details of how the wider Company engages with suppliers are included in the Our Stakeholders section on pages 13 to 16.

The Board is cognisant of the impact its decisions have on suppliers and receives regular updates on supplier relationships and the capital investment programmes at each Board meeting. This update allows the Directors to review and challenge progress across the different investment programmes. In addition, under the terms of reference of NWL's Board, it must approve contracts with suppliers above a certain value which ensures that there is the appropriate level of oversight of these key contracts.

Each year the Board also approves NWL's Modern Slavery and Human Trafficking Statement, which details the steps that we have undertaken to ensure that slavery and human trafficking is not taking place in any part of the business or within our supply chain.

The impact of the company's operations on the community and the environment – s172(d)

The Company's interaction with and impact on both the communities it serves and the environment are of particular interest to Directors. The R&CSC leads on mitigation of environmental considerations and other risks on behalf of the Board. The Performance Review section in the Strategic Report, on pages 27 to 39, provides further detail on the Company's activities in relation to climate and environmental concerns.

NWL's Purpose, Vision and Values are clearly defined and understood inside and outside of the company. Together they drive a strong positive culture, which is evidenced with NWL's appearance over the last 14 years as the only water company of the Ethisphere Institute's World Most Ethical Businesses list, being the first water company to achieve the Good Business Charter in 2020 and an employee trust score of 78% in the 2024 Great Place to Work survey. In CCW's 2024 'Water Matters' deep dive, we were noted as being one of the most trusted water companies.

These successes illustrate that ESG matters have always been central to how NWL operates. Building on these strong foundations, the Board formalised NWL's commitment in this area at Board level by establishing an ESG Committee (ESGC). This Committee has oversight of, and responsibility and specific duties for, the ESG aspects of the Company's organisation to ensure that it operates ethically and transparently. As part of its oversight duties, the ESGC ensures that the Company's practices align with regulatory requirements and stakeholder expectations that risks related to ESG factors are identified and mitigated and formally reports to the Board on ESG issues. The inaugural meeting of the ESGC was held in September 2024.

Alongside the establishment of the ESGC, in December 2024 the Company's Articles of Association (Articles) were amended to insert a new article designed to place customers and the environment at the heart of its objectives and to formally embed customer and environmental objectives within the Company's governance framework.

The relevant amendments which aligned with regulatory expectations, and also followed BCorp best practice, were the culmination of work carried out by the Board and the Company's Executive Leadership team over a number of years to develop, embed, and report on the Company's 'Purpose'. The amendments will ensure that our Purpose is clearly articulated and legally recognised, supporting our long-term success and positive impact on society and the environment.

The establishment of the ESGC in conjunction with the updated Articles reflect NWL's commitment to operating as a socially and environmentally responsible company.

As a water and wastewater operator, the water environment is at the heart of everything we say and everything we do as a business. However, our care and respect for our natural environment goes far beyond any regulatory requirements. We are proud of the level of environmental investment we committed to in the current five-year investment period, but we understand that times and expectations have changed. Our challenge now is to demonstrate how we can do even more to restore and regenerate our natural environment, and our Environment Strategy sets our long-term environmental ambition for this. Further information can be found on our website at www.nwg.co.uk.

Our 2025-30 plan includes £1.7 billion for the environment, with around £1 billion for storm overflows. We'll reduce nutrient pollution, boost biodiversity, and monitor rivers for future improvements, focusing on sustainable solutions and partnerships to protect and restore nature.

The Board has received reports in relation to routine operational performance and how we work constantly to protect and enhance coasts, rivers and watercourse. The Directors have encouraged the Company's use of technologies and new innovations to minimise disruption to customers, the environment and communities in our network. Our AMP8 delivery structure (The Living Water Enterprise) has been established and incorporates non-financial targets linked to business objectives. Investment choices will be expected to support environmental priorities, including carbon reduction, eliminating waste and biodiversity net gain, and social value aims, such as promoting local skills and employment and healthier, safer and more resilient communities.

We also play an active role in our communities, supporting them through charitable endeavours and generating a positive impact on our communities worldwide. Our business relies on resilient communities; we have extensive experience of making a difference in the communities we serve, both locally and internationally. As we have done for many years, we reinvested at least 1% of our profits into our communities, through activities such as our employee donation programme, Cheque it Out, and our funding programmes Branch Out, Bluespaces and our Community Foundations.

The desirability of the company maintaining a reputation for high standards of business conduct – s172(e)

The Directors recognise the requirement for NWL, as a leading company operating in a tightly regulated sector and running a critical public service, to maintain the highest standard of business conduct.

NWL adheres to Ofwat's Board leadership, transparency and governance principles, subject to the exceptions explained on pages 67 to 70. It also operates in accordance with the Wates Corporate Governance Principles for Large Private Companies and explain our compliance with the principles on page 75.

The Company has robust risk management and internal control processes, which are reviewed by the Board or the relevant Board committee. For instance, the Audit Committee is responsible for controlling oversight of the Company's systems for managing compliance, anti-fraud, anti-bribery, whistleblowing and of the internal audit function, and making appropriate recommendations on policy and actions to the Board.

The Company was proud to be named the world's 'most ethical' water company for the 14th consecutive year in the 'World's Most Ethical Company' list, judged by Ethisphere.

As one of only two UK companies, and the only water and sewerage company to be named in the list, this is a fantastic achievement and reflects the hard work and dedication of our colleagues who are committed to delivering the highest ethical standards in everything we do.

Having regard to the desirability of the Company maintaining a reputation for high standards of business conduct, the Board spent time considering and ensuring that the governance framework in place between the Board and company management remained appropriate, including reviewing the authority and permissions delegated to the Company pursuant to its internal governance framework.

Through both the Audit Committee and the R&CSC, the Board continued to monitor and satisfy itself that required behaviours were understood and that business conduct and ethics guidance was observed.

Additionally, the Board also considered lessons that could be learnt from public criticism of other utilities arising from their failings in relation to incidents in which they were involved (both safety and climate related) so as to inform future thinking and strategy impacting customers, communities, and the environment.

The need to act fairly as between the members of the company – s172(f)

The composition of the Company's Board is detailed on pages 63 to 65.

The relationship between the shareholders and their respective rights are governed by private agreement. The Board does not afford any one shareholder or group of shareholders any special rights or privileges and seeks to always act fairly between them and treat them equally, including ensuring that there are procedures in place to address any conflicts of interests that could arise and ensuring equal access to information.

All Directors receive a monthly report from the CEO detailing the performance of the business covering a range of management information that includes but not limited to, customer experience, financial updates, capital investment, operations, health and safety, regulation, commercial activity and corporate affairs.

Five INEDs have held positions on the Board since April 2021, bringing a wide range of relevant expertise and experience, and for consistency with good corporate governance practice regarding INED tenure.

Whilst the Board will continue to work as an integrated whole, the INEDs each have areas of special focus, drawing on their professional expertise and backgrounds and working with particular stakeholder groups. Richard Sexton chairs both the Audit and Risk and Compliance Committees and has a strong accountancy, risk and financial background; Peter Vicary-Smith pays particular attention to customer-related matters; Jacqueline McGlade brings a strong environmental perspective; Bridget Rosewell provides insight on asset management; and Alan Bryce works closely on employee matters. This enhances the Board's effectiveness and provides constructive challenge to the Company's management where this is appropriate and to help develop strategy.

Section 172 Duty

The Directors of NWL consider, both individually and together, that they have acted in a way they consider, in good faith, would most likely be to promote the long-term success of the Company for the benefit of its members as a whole and having regard (amongst other matters) to factors (a) to (f) s172(1) Companies Act 2006, in the decisions taken during the year ended 31 March 2025.

Performance review

To measure delivery of the Company Business Plan and goals, we use a balanced scorecard of Key Performance Indicators (KPIs) covering the full range of our strategic themes.

Stretching targets

Our ambition to be the national leading water company guides decision making and actions across all aspects of NWL. Every year the Executive and Board undertake a rigorous process to assess the targets we set, informed by our customers and stakeholders and then consciously set in line with our vision and purpose to be leading in the context of the wider industry performance. This means that we set our targets in line with establishing and maintaining a leading position in the market. This is a practice that we are proud of.

In the case of C-MeX and D-MeX, we have looked outside of the water industry to understand what leading practice looks like and this underpins our setting a target of being in the Top 2 for C-MeX and D-MeX, which furthers our vision of becoming the national leader in the provision of sustainable water and waste water.

In line with best practice, our scorecard includes a metric-by-metric indicator of how we have set each target and why it can be considered stretching. This reflects the Measures of Success (MoS) and Performance Commitments (PCs) set in our PR19 Final Determination. Though we track a wide number of metrics in our business, we have reduced the number of key indicators to focus on the matters which are most important to our customers. We report against our full range of PCs in our APR.

The top section of the Performance table on page 21 (with a blue header block) shows our performance against our customer and environmental targets. We set these targets to be stretching and show in the table the basis of the target (see key below). We have colour coded our customer and environmental performance as follows:

(●) where our performance has met or exceeded our target;

(●) where we have not fully met our performance target but still generated a reward or not incurred a penalty; and

(●) where we have not met our performance and have incurred a penalty.

We are pleased that we have shown improvement, or held performance stable, on three quarters of these stretching targets, including achieving 1st place in the industry for overall C-MeX, delivering all of our sewer flooding targets and having no serious category 1 or 2 pollutions for the third successive year. However, we aim to achieve all of our PCs and ensure that we take corrective action when performance doesn't meet our targets.

We have reviewed our balanced scorecard measures for 2025/26 and decided to add a measure on storm overflows, to focus on overall C-MeX performance rather than having two sub-measures and to remove D-MeX and repeat sewer flooding, though these measures will continue to be monitored within the business.

The bottom section (with a green header block) reports our performance against our internal targets under our Competitiveness, People and Communities Outcomes. These are colour coded on a simple pass (●) or fail (●) basis.

Stretching targets key:

IL	Industry Leading	Top performing water company in England and Wales
UQ	Upper Quartile	Performance in the best 25% of water companies in England and Wales
AA	Above Average	Performance in the best 50% of water companies in England and Wales.
PC	Performance Commitment	Performance target set in our PR19 regulatory price determination from Ofwat.
PC+	Harder than Performance Commitment	More stretching than our Performance Commitment.
TP	Transformation Plan	Performance improvement plan agreed with Defra

Actual performance against the KPI targets

Scorecard Measure	Units	2023/24 performance	2024/25 target	Stretching target	2024/25 performance	2024/25 achieved	2025/26 target
Customer							
C-MeX: Customer experience	position	4th (3rd overall)	Top 2	UQ	3rd (1st overall)	🟢	Top 2
C-MeX: Customer service	position	4th (3rd overall)	Top 2	UQ	1st (1st overall)	🟢	
D-MeX: Developer services measure of experience	position	2nd	Top 2 WASC	UQ	2nd WASC	🟢	n/a
Interruptions to supply > 3 hours	mm:ss	05:32	<=04:53	UQ/PC+	04:40	🟢	<=04:45
Repeat sewer flooding incidents	number	24	<=27	PC+	20	🟢	n/a
Internal sewer flooding incidents	number	159	<=161	UQ/PC+	136	🟢	<=143
Compliance Risk Index (CRI)	score	3.45	<=3	UQ/TP	10.94	🔴	<=3
Environment							
Leakage (NW)	Ml/d	120.0	<=115.0	UQ/PC+	117.1	🟠	<=109.7
Leakage (ESW)	Ml/d	50.8	<=54.0	IL/PC+	54.7	🟠	<=53.2
Storm overflow spills	average	n/a	n/a	n/a	n/a	n/a	<=19.3
Discharge permit compliance	%	98.54	100	IL/PC	97.2	🔴	100
Pollution events (Category 1&2)	number	0	<=1	IL	0	🟢	0
Greenhouse gas emissions	ktCO2e	19.32	<=20.17	PC+	16.25	🟢	<=197.0[1]

Scorecard Measure	Units	2023/24 performance	2024/25 target	Stretching target	2024/25 performance	2024/25 achieved	2025/26 target
Competitiveness							
Financial covenant gearing	%	70.0	<=77.5	N/A	71.4	🟢	<=77.5
Regulated gearing	%	70.2	<=70	N/A	72.4	🔴	<=70
Interest cover	times	2.9	=>2.4	N/A	3.0	🟢	=>2.4
People							
Employee engagement – trust index	%	77	>=72	N/A	78	🟢	>=78
Lost time accidents	number	15	<=14	N/A	15	🔴	<=6
Communities							
Trust – Ethisphere	awarded / not awarded	awarded	award	N/A	awarded	🟢	award

[1] the basis of the Greenhouse gas emissions measure will change from 2025/26 reflecting changes in Ofwat's methodology and the inclusion of emissions produced by our chemical and fuel suppliers.

Customer

Unrivalled Customer Experience

C-MeX is the industry-wide measure that provides a holistic comparison of companies' customer. Our ambition is to be consistently in the top two companies for C-MeX, and we were delighted to have finished 2024/25 in first place overall, the second time in the last five years that we have been top, having always been at least top three throughout that period.

We are incredibly proud of this consistent high performance across the 2020-25 period as it speaks of both our commitment to putting our customers at the heart of what we do through our unrivalled customer experience strategy, and of our customer-centric culture where doing the right thing for our customers is enacted every day by our people who take real pride in looking after our customers.

Our strategy across the AMP has been to focus on getting things right first time, quickly, every time, and we have worked hard across all our service delivery areas to refine and improve both the ways we work and the things we do so we that we achieve it. Our strategic investment both in our new customer experience management platform (see case study on this page) and our overall data insight and analytics approach, really helped us to leverage positive impact from our data and from customer feedback. Building on our knowledge of the things that customers value most, we have developed some key 'early warning' signals that give us the opportunity to take action quickly and close the loop on customer journeys in a positive way.

As part of our C-MeX strategy, we also sought external validation of our approach to and ambition in providing our customers with unrivalled experiences and we were delighted to be awarded ServiceMark accreditation by the Institute of Customer Service. ServiceMark is a national standard that independently recognises an organisation's commitment to providing excellent customer service and its ongoing efforts to upholding those high standards. It also looks closely at the service culture of organisations, so we were particularly pleased to be accredited with this standard. We also received TrainingMark accreditation for the third consecutive year, being the first water company in England to hold both simultaneously, underlining our drive to be the best.

Our customers tell us we provide **excellent customer service** and **resolve issues quickly**

Case Study

Delivering exceptional customer service with Medallia

Challenge

We wanted to better understand and respond to our customers' needs and experiences. Our goal is to make sure we provide unrivalled customer experience by listening to our customers and acting on their feedback. This required a system that could capture real-time insights and help us identify areas for improvement.

Action

To achieve this, we integrated Medallia, our internal voice of the customer program, into our operations. This allows us to survey our customers and gain insights into their experiences with NWL. We moved to Medallia for its improved reporting capabilities and flexibility in survey design. This enables us to 'close the loop' with our customers and analyse large volumes of feedback.

We have also integrated Medallia into our websites to gain deeper insights into customer behaviour through features like screen recording, heatmaps, journey mapping, and real-time feedback. Our customer insights team have enhanced and developed the reporting and text analytics functions to make them applicable to the water industry and NWL.

Medallia also provides a text analytics tool for analysing customer comments. We refined this tool to include industry-specific vocabulary, enabling us to identify key topics and their impact on scores and sentiment. These insights support stakeholder teams around the business and improve customer service.

Impact

Integrating Medallia into the C-MeX framework has significantly improved our ability to deliver exceptional customer service. We now have a more reliable and statistically relevant view of customer experience at NWL. The survey analytics help us identify warning signs when we are falling below target or not meeting expectations, allowing us to take proactive measures. The new workflow ensures that all customers have a platform to express their views, leading to better decision-making and improved customer satisfaction.

Overall, this has proven to be an invaluable tool in our mission to provide top-tier customer service. By staying attuned to our customers' voices and continuously refining our approach, we are well-equipped to meet and exceed their expectations, ensuring a positive and rewarding experience for all. This has helped us maintain our position as a leader in the water industry.

Principles for Customer Care-compliance with Condition G

Over the past year, we have conducted a comprehensive review of the requirements of our new licence condition G 'Principles for Customer Care' and are confident in our compliance.

We have two core strategies that align well with this licence condition. Our Unrivalled Customer Experience Strategy outlines our ambition and approach to customer service, including providing multiple communication channels for customers. Our Inclusivity Strategy details how we serve vulnerable customers and engage with them and other stakeholders about our services and support, whether financial or otherwise.

The core principle of the Customer Focused Licence Condition emphasises continuous improvement and learning. Over the past year, we have identified areas for improvement and taken steps to ensure we lead in this space.

We have worked on our inclusivity strategy and policy, incorporating feedback from CCW on improving use of demographics to better understand our customers, and focusing on providing support to those who are most at risk of detriment.

We reviewed all web content and introduced more rigorous review cycles. Updates to the homepage and navigation have been made to drive key customer journeys more effectively. We embarked on the Shaw Trust accreditation journey and received feedback from CCW on our pages for annual billing. We have made it easier for customers to provide feedback on billing services by adding new pages to our websites and our new incident management page, highlighted by CCW as industry-leading, can also be found on our websites.

We remain committed to continuous improvement and ensuring that we meet and exceed the requirements of the Customer Focused Licence Condition.

D-MeX – Developer Measure of Experience

D-MeX measures the service that we provide to developer services customers, including property developers, self-lay providers (SLPs) and those with new appointments and variations (NAVs). Our target is to be in the top two water and sewerage companies (WASCs) for D-MeX and we were pleased to achieve this, finishing in 2nd of the WASCs and 3rd place overall.

We continue to focus on developing the capability of our systems and have expanded the use of our Salesforce system to other teams who support the developer's journey. This will continue during 2025/26 where we aim to have the end-to-end customer journey in one system which will make the journey and interactions visible to all teams.

Business Retailer Experience Preparation (BR-MeX)

We have been preparing for the introduction of the new BR-MeX measure in 2025/26. This will be based on a combination of surveys of business customers who interact with us and retailers who we work with, alongside a range of service performance measures and a property data quality assessment.

Following the successful business model we have been operating for C-MeX and D-MeX, we have recruited a BR-MeX lead and put in place a cross-business BR-MeX group to track performance, share service and performance feedback and put improvement plans in place. Our Account managers meet regularly with retailers to improve relationships and ensure that any issues are addressed promptly. We are also working actively on improving data quality, working with external data experts on aligning data standards and validating data in an automated process.

Our customers say they **feel informed** about the services we provide and the **importance of water**

Customer Engagement

We actively engage with our customers across multiple channels and formats, discussing a range of topics. These include our long-term strategies and recent water supply interruptions. We always seek feedback and offer opportunities for customers to share their views, helping us understand their priorities, wants, needs, and expectations. Having regular, meaningful conversations with our customers allows us to stay in touch with what they expect from us, and ensures our services are fit now and for the future.

We used People Panels as part of our PR24 customer research programme, to help shape the development of our Business Plan. Beyond the submission of the plan, we have continued to engage with our four People Panels, covering Northumbrian, Essex, Suffolk, and Future Customers, through quarterly sessions. We also have an online forum 'Have Your Say' through which we keep customers informed and request feedback on areas of interest from across the business and influence areas like our changes on our digital tools.

We also engage with our customers 'face to face' in their communities. We have a range of equipment that we attend public events with, such as our pop-up shops and our engagement vehicles, Flo and Carlton. Our team of Customer Heroes educate and involve our customers using interactive and engaging activities, influencing behaviour change and raising awareness of our extra help and additional support services, such as the Priority Services Register.

Our customers say our services are **good value** for money and we work hard to keep **water and wastewater services affordable for all**

Affordable and Inclusive Services

We were the first water company to set an ambitious goal of eliminating water poverty in our regions by 2030. We applied a definition of water poverty as when a customer spends more than 3% of their net household income, after housing costs, on their water bill, based on research at the time. Although we have made some progress towards this target, the significant economic upheaval over the recent years, with Brexit, the Covid-19 pandemic and cost-of-living crisis, coupled with high inflation driving rising bills, has made this challenge much more difficult.

For our PR24 Business Plan we have reconfirmed our commitment to eliminating water poverty. However, we have revised the definition to 5% of net household income, in line with the CCWater affordability review and the Water UK public interest commitment.

During the 2024/25 period, the number of customers benefiting from either a reduced or capped tariff increased by 15%, reaching a total of over 150,000. In February 2024, we expanded the eligibility criteria for our low-income tariff by raising the income cap by over 40%, which made the discount available to more customers who were struggling with rising bills, housing and childcare costs.

To make it easier for customers to apply, we have enhanced the use of online tools to assess eligibility, partnering with various organisations to provide accessible tools that offer broader benefits. The eligibility assessment tool provided by Policy In Practice not only confirms tariff eligibility but also identifies potential government benefits that customers may be entitled to, and we found that over 70% of eligible customers were missing out on benefits. Our online income and expenditure form allows customers to complete a detailed breakdown of their income and spending as well as providing guidance to help customers manage their bills and share their budget with other organisations if they are struggling to make payments.

Data-sharing with the Department for Work and Pensions (DWP) continues to be a major avenue for helping customers access reduced bills. We have also established data-sharing agreements with six local authorities, enabling them to share customer information under the Digital Economy Act. This collaboration primarily focuses on customers claiming Pension Credit.

From 2025, we will introduce our new Financial Hardship fund with a new £20m contribution from our shareholders over the next five years. Doing more for people who are struggling, in turn, supports the overall affordability of our plan for 2025-30.

Almost 125,000 of our households are now registered on our Priority Service Register. We have increased this number through a number of initiatives including data sharing with other utilities in our operating regions, work=king with local authorities and housing associations to identify vulnerable customers and awareness campaigns in the community. Our frontline teams have also received additional training on how to identify customers who require tailored services.

The BS 19477: Inclusive Service Verification was replaced last year by ISO 22458 which assesses whether inclusive services are fully accessible to all customers and that companies have the right business processes in place to support all customers. We were delighted to be recognised as fully achieving the standard with no non-conformances.

Reliable Supply of Water

Our customers expect that water will flow when they turn on the tap and that they should not be affected by shortages of water. We recognise that interruptions to the water supply can cause our customers real inconvenience, especially when they are unexpected and we cannot warn customers in advance. We have improved our performance on water supply interruptions over three hours to an average of 4 minutes 40 seconds per customer and have remained at the forefront of the sector on this measure over the last five year period.

An interruption to the water supply can occur on a planned basis when we carry out network maintenance or unexpectedly when a burst or other failure occurs in the network. We put our customers at the centre of our response to a supply interruption with our focus being to restore our customers supplies before undertaking any permanent repair, while always taking a balanced approach to other considerations such as environmental protection and the health and safety of our team and the public.

During unplanned supply interruption events we continue to deploy temporary mobile storage tanks (MOWBIs) to keep customers in supply, as well as continue to implement options to rezone our distribution network or install temporary overland supplies. Similarly for planned work we look to use these mitigations proactively to minimise customer impact. We always aim to ensure the customer impact of a supply interruption event is minimised as much as possible. This year we have completed the roll out of our mobile storage units in Suffolk, ensuring deployable readiness across all our operational areas.

We have also continued our efforts to help our customers reduce their demand for water. We have a long term goal to reduce household per capita consumption (PCC) to 118 litres per person per day by 2040, from a base of 150.6 litres per person per day, and we remain committed to this target. However, the Covid-19 pandemic has had a pronounced and sustained effect on PCC and our performance in the year was 152.7 litres per person per day.

We continue to advocate the use of metering as an effective means of reducing consumption and hence increased meter penetration will continue to be a vital element of our strategy. In line with this our 2025-30 plan proposes compulsory metering in our Essex & Suffolk operating area. Our Northumbrian operating area is not sufficiently water stressed for compulsory metering to be permitted so we will continue to promote the benefits of metering to our customers.

We have also continued to deliver our water efficiency action plan through home visits, to repair leaky loos and retrofit water and energy saving equipment, online digital water efficiency engagement and engagement with schools to educate children about the value of water. We are also piloting the provision of water efficiency interventions at the same time as installing smart meters, and are progressing our water efficiency programmes, Fair Water and Water Literacy, through the Ofwat Innovation Fund.

Our drinking water is **clean** and **tastes good**

Clean Clear Water That Tastes Good

The water we supply must meet the stringent quality standards set by the DWI, to ensure that it is safe to drink and free of colour and particles, poor tastes and smells. This is measured by the CRI, using information from the whole source to tap journey, through water treatment works, networks and customer taps, to make a more exacting assessment of water quality.

We were disappointed that our CRI increased to 10.94 this year. Most of this score was due to nine technical breaches of quality standards at water treatment works, none of which had any impact on, or posed any risk to our customers. We remain committed to achieving industry-leading performance and are delivering our long-term plans to reach this, working closely with the DWI. However, because we are subject to an agreed programme of work with the DWI, this has the effect of increasing the CRI score for each incident with a combined impact of 8.86 units for these water treatment failures.

We have a robust and rigorous investigation process following any of these compliance failures, with any areas for potential improvement tracked and actioned accordingly. Any transferable improvements and learnings are shared across our sites in both of our operating regions. We continue to prioritise our efforts around water treatment where CRI risk is highest, and areas of focus include filter media refurbishment, carbon regeneration, and water quality minor works activities such as on-line monitoring capability to increase resilience and control of the treatment processes.

In line with our agreed programme of work with the DWI, we have carried out our Hazard Review Process at all water treatment works and are making progress on delivering the identified improvements. These range from process optimisation and minor changes of activity on site to significant investments. These improvements and our investment strategy throughout AMP8 are aligned reducing risk across our asset base. Both short term measures and longer term proposals are being developed to account for the impact of climate change which poses specific risks in terms of raw water deterioration.

The quality of the water we supply is of paramount importance, but our customers also care about the appearance, taste and smell of the water they receive. We have continued to perform better than our performance commitments in these areas.

We tackle discolouration through a source to tap approach, minimising metals leaving our treatment works and managing any material which enters the network through several different activities. These include conditioning our strategic mains so that flows can be increased with less risk of disturbing sediment and flushing programmes for smaller sized pipes closer to customers.

In respect of taste and odour, water supplies for most areas routinely come from the same source. However, to carry out asset maintenance, or in response to reactive issues like a burst pipe, water to an area can be re-zoned through a different route or come from a different source treatment works. We know that customers can be sensitive to changes derived from these actions and we make good use of text messaging, the company website and social media streams to help inform, support and manage the expectations of our customers.

Our Water Quality Inspector project in the Tees system, supported by Ofwat funding, is progressing well and we are looking to build on this in another part of our network. It is using online water quality monitors in both the strategic and local distribution networks to identify changes in water quality parameters, providing insight to support investigations into water quality changes which may influence the taste and smell of the water, as well as its appearance.

Our sewerage service deals with sewage and heavy rainfall **effectively**

Sewer Flooding

Our goal is to eradicate sewer flooding in the home as a result of our assets and operations. We were pleased that we achieved all of our sewer flooding targets, internal, external and repeat, for the second consecutive year. We have reduced our internal sewer flooding incidents by 69% since 2019/20 and are now a leading company in the sector.

We have achieved this significant performance improvement through the success of our sewer flooding tactical plan. This plan focused on core areas identified from root cause investigations into our sewer flooding performance. These comprised operational improvements, increased technical and operational resources and customer education and communication. Our Bin the Wipe campaign has engaged with more than 800,000 households and led to a 90% reduction in the number of wipes found in the sewers in some areas.

We also continue to work closely with CCW on their joint sewer flooding activities and we have reviewed how we can enhance our service levels to all customers, particularly those have been worst affected, for example the small number of customers who have suffered repeat sewer flooding. We have reduced this risk by 67% since 2019/2020 and have developed an action plan to reduce this further.

Looking ahead, the modelling work we used to support our DWMP has helped us significantly reduce the percentage of properties we identify as being at risk of flooding. We also have plans for significant investment to improve the capacity of our network and will see wider benefits from our Storm Overflow Reduction Plan, which will improve the resilience of our network and further reduce flood risk. Our Long Term Delivery Strategy outlines our commitment to further reduce flood risk by 60% by 2050.

We are **resilient** and provide **clean drinking water** and effective sewerage services; now, and for **future generations**

Reliable and resilient services

Our business is inherently long-term with assets we expect to operate for more than 100 years. We have an enduring presence in the communities we serve and provide services to generations of our customers. As part of our PR24 Business Planning process we produced our Long-term Strategy for 2025-2050, which built on existing long term planning frameworks for Water Resource Management Plans and Drainage and Wastewater Management Plans, as well as aligning to our Environment Strategy.

Our PR19 WRMP demonstrated that we have 100% security of supply in all our Water Resource Zones, across the full 40-year planning horizon. We also demonstrated resilience to drought with a return period of 1 in 200 years in all our Water Resource Zones, with 0% of our customers at risk from severe supply restrictions. The position has now changed for WRMP24 and, in response to both growth, sustainability reductions and climate change, we are planning to invest c.£386m in new supply schemes over the 2025-30 period to maintain the resilience of our supplies, especially in the Suffolk areas.

We published our final DWMP in May 2023. The plan identifies how we will extend, improve, and maintain a robust and resilient drainage and wastewater system considering the pressures of climate change, population growth and growing customer expectations. Throughout the production of the plan, we engaged with stakeholders and this engagement continues as stakeholders are using the DWMP to co-ordinate and plan future work. More collaborative opportunities have been identified and it is intended that these will be followed up to allow more multiple benefit solutions to be implemented.

Our DWMP sits within the wider context of our Long-term Strategy and legal obligations, such as the Government's Storm Overflows Discharge Reduction Plan and 25 Year Environment Plan. These considerations are reflected throughout our DWMP and more detail can be found in our Business Plan for 2025-30 and our Environment Strategy to 2050.

Case Study

Upgrading and futureproofing our water supply network

Challenge

We aimed to upgrade and futureproof our water supply network to ensure reliable and high-quality water delivery for our customers in both our NW and ESW operating regions. Additionally, we wanted to ensure that our efforts were environmentally responsible and contributed to the sustainability of our operations.

Action

The existing network, which has served the south of County Durham and the Tees Valley for over 100 years, needed significant improvements to enhance resilience and meet the growing demands of the area. To address these challenges we launched 'Project Pipeline: County Durham and Tees Valley,' a £155 million investment programme. This multi-year project involves installing entirely new pipelines and replacing sections of the existing network. We worked closely with environmental and ecological experts during the planning phase to ensure that biodiversity on-site is either enhanced or restored, and that the environment is protected during project delivery.

In Essex, we are constructing a pipeline to transfer untreated water from Layer-de-la-Haye Water Treatment Works to the existing reservoir at Langford Water Treatment Works. This £20 million investment will install 19km of new pipeline, linking and balancing the use of water resources in the northern and southern parts of Essex. The pipeline will provide enhanced resilience during drought and hot weather periods.

Impact

The investments made through Project Pipeline have significantly improved the resilience of our water supply network. More than 200,000 customers in County Durham and the Tees Valley are benefiting from the upgraded infrastructure, which ensures reliable and high-quality water delivery for generations to come. The environmental measures taken during the project have helped protect and enhance biodiversity on-site.

In Essex, the new pipeline will be capable of carrying up to 50 million litres of water a day, adding resilience to the water supply for over 370,000 customers. This investment not only supports customer supplies but also enables better management of the county's raw water resources, contributing to environmental sustainability.

Environment

The first of our environmental outcomes covers our responsibility towards good quality water at our rivers and beaches and our regulatory obligations to improve the environment. We are committed to meeting our ambitious goals to have zero pollutions as a result of our assets and operations, and to have the best rivers and bathing water beaches in the country.

Environmental Performance Assessment

The EA's annual Environmental Performance Assessment (EPA) for 2024 will be published later in the year. We are disappointed to have missed our targets on discharge permit compliance and category 3 pollution incidents, which will be taken into account in the EPA assessment.

Ofwat Wastewater Investigation

In November 2021, NWL, along with all other wastewater companies, was contacted by the EA and Ofwat in relation to measures to ensure permitted Flow to Full Treatment (FFT) requirements were being achieved at wastewater treatment works. In March 2022 Ofwat opened an enforcement investigation. We have cooperated throughout this process and took prompt action when our initial investigations identified a small number of sites where the required level of FFT may not have always been achieved.

On 4 June 2025, Ofwat concluded its investigation. We have provided undertakings amounting to £15.7m to fund additional environmental improvements and support local communities, in order to provide redress where we have contravened certain of our statutory and regulatory obligations. These additional investments will be fully paid for by the company and its shareholders and not paid for by our customers.

The additional investments comprise:

- £3.4m accelerated installation flow monitors at 19 wastewater treatment sites;
- £8.3m implementing a Smart Sewer Network in the Tyneside area, additional to allowances made in the PR24 FD, to minimise spills;
- £2m to reduce spills to below 20 per annum at specific storm overflows, additional to the improvements we've already committed in our FD; and
- £2m additional contributions to our 'Branch Out Fund', which supports schemes proposed by local communities, land managers, other organisations and individuals that will improve the natural environment.

In addition, we have committed to providing a wastewater treatment works flow compliance plan, a plan to conduct a further study on the Whitburn-Hendon system and a management plan in respect of governance of compliance.

The first three investments relate to our assets and £2.6m of this has already been invested and is recognised within property, plant and equipment (note 11), with the remaining £11.1m committed in future years (see note 23). A provision has been made for the additional Branch Out contributions (see note 18).

A Vision for our Coasts and Rivers

We fully recognise the level of public concern with regards to the environmental impact of the sector, and the operation of storm overflows in particular. We remain committed to our ambition to have the best rivers and beaches in the country and have updated our Vision for Coasts and Rivers with latest progress against the pledges we have made.

We have reduced the number of spills from our sewer network by 13% in 2024 compared to 2023 and we continue to focus on driving this number down. We are implementing our targeted action plan with increased CCTV surveys to identify obstructions and damage in our sewer network which we are then resolving. This is in addition to our investment programme to deliver increased storage capacity and increasing use of nature-based solutions to prevent surface water from entering our networks.

Our pioneering smart sewers project, which uses AI and sensors to manage wastewater flow in real-time across our network with the aim of reducing spills, is an example of the innovative actions we are taking to address this issue (see case study on page 28). Our PR24 Business Plan set out our plan to invest c.£1bn over the next five year period aimed at reducing the use of storm overflows and improving bathing water quality.

We help to **improve** the quality of rivers and coastal waters for the **benefit of people**, the **environment** and **wildlife**.

Treatment works compliance

This measure includes both wastewater and water treatment works discharges and our target is 100% compliance. We were disappointed to have failures at seven sites out of a total of 206 eligible treatment works, four at wastewater sites and three at water sites.

We have investigated the causes of these failures and implemented actions at each of these sites. At Lanchester we are in the final commissioning phase of a large refurbishment under our WINEP, which includes enhance treatment processes and increase resilience. The other wastewater sites have undergone a full root cause analysis, with additional sampling and analysis taking place to further reduce risk. On the water assets, we have replaced a monitoring system and have planned replacement of further assets and have also reviewed and updated standard operating practices.

To further ensure we are doing all we can to improve our performance for customers we have implemented a tactical plan specifically for discharge permit compliance, covering both wastewater and water works. The tactical plan includes new root cause analysis, data interpretation as well as identifying any additional training or governance required. The work into root cause analysis has also led to an additional intervention we have called WATCH list, which stands for Wastewater Assessment for Treatment Compliance and Hazards, and allows us to prioritise sites which need additional interventions to prevent compliance failures. Targeted investments to support improvement in this measure are included in our capital plan.

Pollution incidents

We aim to avoid causing any pollution from our operations. However, we occasionally experience problems in our water and wastewater systems that have an environmental impact on watercourses and the sea. We were very pleased that we had no serious category 1 or 2 pollution incidents for the third successive year. However, the number of category 3 incidents increased to 120, from 99 in the previous year.

In 2024, we faced significant challenges from a number of named storms which impacted on our sewage pumping stations and treatment works, where even very small power interruptions can cause significant issues. Our systems are not currently capable of dealing with the most severe storms which are expected to grow in frequency and severity due to climate change increasing their potential to disrupt our operations across the entire region.

Power failures are the leading cause of pollution incidents in our north-east operating area. In our PR24 Business Plan we put forward proposals in to invest in backup power supplies that would greatly reduce the impact of power outages on our network and the number of pollution incidents. These proposals were supported by our customers and we were disappointed that only a small proportion of our proposal was funded by Ofwat in its FD.

We continue to focus our attention on reducing the risk of incidents through our company-wide zero-tolerance approach as set out in our Pollution Incident Reduction Plan, which we have recently refreshed. New interventions build upon key learnings from both internal and collaborative engagement and we have increased resources in both our operations and maintenance teams to focus on proactive actions to reduce pollution events.

Case Study

Smart sewers

Challenge

We face a significant challenge in managing storm overflow spills, which can have detrimental effects on the environment and local communities. We were committed to reducing these spills further and sought an innovative solution to address this pressing issue.

Action

We launched the Smart sewers project in July 2024. This pioneering initiative involves the use of artificial intelligence and sensors to manage wastewater flow in real-time across our extensive network of pipes. By balancing flows over a larger area, the Smart sewers technology aims to reduce the need for storm overflow spills, which are typically used to relieve pressure on the network during heavy rainfall.

The project is a UK-first and the largest of its kind globally, combining cutting-edge technology, sensors, and AI analytics to minimise the risk of overflows. We invested £20 million in setting up and trialling the project. In February 2025, over 800 sensors and sections of the network in the Tyneside area were connected to the Smart Sewers system, marking the first real-world application of the technology.

During February, the Smart Sewers system was activated on 15 separate occasions during rainfall events. Each instance demonstrated positive results, successfully preventing storm overflows that would have otherwise occurred due to the weather conditions.

Encouraged by the success of these initial trials, we have committed an additional £5 million to expand the project across the region. The next trial locations were identified in the Marske and Saltburn areas, with the ultimate goal of deploying Smart sewers technology across all areas where it can make a difference throughout the North East.

Impact

The early results of the Smart sewers project have been highly promising. The technology has proven effective in reducing the reliance on storm overflows, which is a critical concern for our communities. Between 2020 and 2025, we are investing £80 million to reduce storm overflow usage and upgrade the wastewater network. Looking ahead, an additional £1.7 billion will be allocated to a comprehensive environmental programme from 2025 to 2030.

To support these efforts, we have also expanded our team of wastewater operatives. These new team members will respond swiftly and effectively to any overflows, complementing the existing teams that work tirelessly around the clock to monitor and address issues across the region.

Bathing water compliance

Our target is for all of our NW region's designated bathing waters to be classified as Good or Excellent. Our bathing waters continue to be amongst the cleanest in the country and we were again ranked second in this measure in 2024 for the percentage of Excellent and Good coastal bathing waters in comparison with water companies in England. For the 2024 bathing season, 33 out of 35 bathing waters were classified as either Excellent (23) or Good (10). While Seaham Hall beach improved from Sufficient to Good, Cullercoats remained at Poor and a newly designated site in South Tyneside called Littlehaven was also classified as Poor.

Cullercoats has been classified as Poor since 2018, having deteriorated from Good in 2016. We have carried out extensive investigations, in partnership with the EA and local authority, which have found that contaminated groundwater is the most likely reason for the deterioration in bathing water quality and that there is no evidence that our assets have an impact. We remain committed to continue working with our partners to improve the bathing water quality at Cullercoats for our customers, local businesses, and recreational users, and are continuing to carry out further investigations.

Littlehaven beach was designated in 2024 following a consultation by Defra which we were pleased to support. This coastal bathing water is located within the mouth of the River Tyne and given its estuarial topography there are complex factors behind its classification. We are planning to undertake a detailed investigation to understand sources of bacteria impacting bathing water quality and develop integrated improvement plans.

In carrying out investigations at our bathing waters, we use world leading innovative techniques such as Project Kingfisher, semi-autonomous AI data analytics. This approach uses flying drones to collect detailed water quality measurements. In the future, the Kingfisher drones will have the capability to take samples of seawater and transport them direct to a laboratory for analysis.

We take care to **protect** and **improve** the environment in everything we do, **leading by example**.

Protecting and Improving the Environment

The second of our environmental outcomes presents our above and beyond approach to the wider environment. We have an ambitious goal to be leading in the sustainable use of natural resources, through achieving zero avoidable waste by 2025 and being carbon neutral by 2027. We also aim to demonstrate leadership in catchment management to enhance natural capital and deliver net gain for biodiversity.

Leakage

Reducing leakage remains a key focus, and our goal is to have the lowest levels of leakage in the country in our water-stressed ESW operating area. We are delighted that we have reduced leakage in ESW by over 18% across the AMP7 period, although it increased slightly year on year. We are also very pleased that we achieved our leakage target for our NW operating area in 2024/25. This performance has been achieved against a challenging background with two freeze/thaw events over the winter months.

We have implemented a new platform with our partner, Crowder Consulting, which has improved how we identify areas of our network for greater operational activity. This has allowed us to align processes across our NW and ESW operating areas, making cross-region working and resource-sharing much more efficient. We have also extended our capability to conduct short-term "lift and shift" acoustic logging to our NW area.

We increased our mains renewal activity in the year and we are continuing with our work regarding pressure management, investing in new control equipment and optimising existing assets to reduce mains bursts. Our rolling programme of employee training regarding calm network operations also continues.

Greenhouse gas emissions

We have made further progress towards our carbon net-zero goals in the year, reducing greenhouse gas emissions by 16% in the year and by 77% over the five year price control period (see pages 90 to 91 for more detail).

We have achieved this reduction by powering all our sites using renewable electricity, including our offshore wind power purchase power agreement, installing large scale solar arrays across six sites, migrating our bioresources vehicle fleet to biodiesel and extending our use of electric vehicles. We were also the first, and to date only, water company to use 100% of our sewage sludge to create energy.

Looking forward, we have committed to a Five Point Plan to reduce the carbon impact of our capital investment programme (see case study on page 30). Additionally, our leadership of the Net Zero North East England group, which our CEO co-chairs with the Mayor of the North East Combined Authority, highlights our commitment to achieving net-zero operations by 2050 and our innovative work in this area.

Catchment Management

Catchment management covers the whole water cycle and links across our water, wastewater and conservation activities. We carry out catchment activities across our own network and assets and in partnership with others. We work to influence and to make shared decisions to improve the environment, showing leadership in integrated catchment management. Our goal is to demonstrate leadership in catchment management to enhance natural capital and deliver net gain for biodiversity.

An example of our approach is our South Tyne Holistic Water Management Project where we have collaborated with organisations across the South Tyne area, including farmers and landowners, to improve the river water quality downstream where it is abstracted for treatment. This has implemented a range of measures, including river restoration schemes, 'slow-the-flow' initiatives, farmyard and track improvements, tree planting and habitat creation.

Case Study

Disrupting the norm - our bold path to net zero

Challenge

As part of our commitment to sustainability, we aim to significantly reduce the carbon footprint of our construction projects. The challenge was to implement a comprehensive strategy that would not only meet but exceed industry standards for low-carbon construction. We needed to address the use of carbon-intensive materials like concrete and steel, phase out fossil fuels, and adopt a common standard for carbon management across our projects.

Action

In 2024, we launched our Five Point Plan at an executive-level event, co-sponsored by the Construction Leadership Council, Infrastructure Client Group, and Infrastructure and Projects Authority. This plan focuses on five key areas: procurement, measurement, concrete, steel, and diesel.

To address procurement, we translated the outcomes of our Five Point Plan into contractual hooks, setting and measuring carbon limits with the expectation that these would be beaten. We developed common clauses, standards, and requirements for carbon to enable low carbon contracting across the entire 2025-30 programme. We also introduced an incentivisation model to reward great performance based on key performance indicators (KPIs).

For measurement, we adopted PAS 2080, the standard for carbon management in infrastructure, as a common standard. This involved conducting a gap analysis, seeking guidance from the British Standards Institution (BSI), and extending our Capital Carbon Steering Group to include our engineering and environment teams. We also developed a detailed programme outlining timescales and activities to ensure compliance by the end of 2026.

In terms of concrete, we committed to eliminating the most carbon-intensive concrete products by defining what low-carbon concrete means for us and producing an engineering briefing note outlining acceptable standards. We banned the use of CEM1 concrete, which has a higher carbon footprint than other concrete types, on all sites where a suitable alternative is available and amended our standards to performance-based criteria to encourage innovation.

For steel, we aimed to eliminate the most carbon-intensive steel products by understanding our current steel usage and specifying our preference for low-carbon steel options, such as Electric Arc Furnace (EAF) steel. We engaged with technical managers from steel suppliers to ensure the availability of low-carbon options and used our buying power to order these in advance.

And on diesel, we set phase-out dates for fossil fuel use and explored alternatives like Hydrotreated Vegetable Oil (HVO). We shared trial data, promoted energy efficiency on-site, and encouraged the use of our electricity instead of diesel generators. We also collaborated with competitors to share information and set expectations for fossil fuel alternatives.

Impact

The Five Point Plan will be in place by the end of 2026 and will lead to significant progress in reducing our carbon footprint. By setting and measuring carbon limits in our contracts, we can create a transparent and accountable system that incentivises low-carbon construction. The adoption of PAS 2080 will provide a common standard for carbon management, ensuring consistency and reliability across our projects.

Our commitment to low-carbon concrete and steel will result in the use of more sustainable materials without compromising quality or increasing costs. The phase-out of fossil fuels and the promotion of alternatives like HVO will further reduce our environmental impact.

Overall, our bold path to net zero will not only improve our sustainability practices but also positions us as a leader in the industry. We are proud of the progress we have made and remain committed to driving innovation and sustainability in all our projects.

Whittle Dene, Northumberland

Climate-related financial disclosures

We have reported our Climate-Related Financial Disclosures (CFD) in accordance with the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. In addition, to better position ourselves for future reporting requirements, we have included additional aspects in this report to align with the recommendations set out in International Financial Reporting Standard (IFRS) S2 (Sustainability Disclosure Standard for Climate-related Disclosures), issued by the International Sustainability Standards Board (ISSB). This approach ensures compliance with CFD while laying the foundation for broader sustainability reporting in future periods.

Climate change poses the single greatest threat to our natural environment and the sustainability of our company. Playing our part in mitigating and adapting to climate change is essential to us, helping to protect the environment and society today and in the future. Over the last few years, we have made progress towards improving our resilience to the impacts of climate change.

'Restore and Regenerate: Our Environment Strategy to 2050' sets out our commitment to help restore and regenerate our natural environment.

The Environment Strategy provides further details on the delivery of the environmental aspects that were specified in 'Shaping our future: Our Long-term strategy 2025-50', which examines the long-term challenges we face and the investments we will need to meet them. This identified our target of achieving Net Zero greenhouse gas emissions by 2050 as one of our five key investment areas. In the short-term, our AMP8 investment plan highlights key areas of investment throughout 2025-2030. Throughout these reports, we have identified areas of focus to ensure our organisation is resilient and can mitigate risks and embrace the opportunities of climate change.

This CFD report, with an integration of elements of IFRS S2, builds on our previous CFD report published in 2024. It provides a comprehensive analysis of our organisation's identified climate-related risks and opportunities. It aims to enhance transparency and enable stakeholders to make informed decisions regarding our sustainability strategies and financial performance.

Our compliance with CFD is integrated into this annual report, ensuring our climate-related risks and opportunities are communicated throughout. The table below indicates where specific information aligning with CFD and IFRS S2 recommendations can be found within this annual report. A more detailed report can be found here.


Dawn fishing, Kielder

Location of CFD Requirements within this Annual Report

CFD Requirements	Location in this Annual Report
(A) a description of the governance arrangements of the company or LLP in relation to assessing and managing climate-related risks and opportunities.	The Risk & Compliance Sub-Committee has oversight of the scope and effectiveness of the Group's risk management systems, including climate-related matters. A new ESG Board Committee was established during the year to assume oversight of ESG matters, including a specific focus on climate-related risks and opportunities within the Risk Management Framework. Corporate Governance pages 73 to 74
(B) a description of how the company or LLP identifies, assesses, and manages climate-related risks and opportunities. (C) a description of how processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management process in the company or LLP.	The Risk Management Framework sets out the process for identifying, analysing and evaluating risk across the business. Climate-related risks are included within this process. Emerging risks as those which are foreseeable, but not with sufficient clarity to be assessed within the corporate risk model. These are captured in an Emerging Risk Register and reviewed annually by a sub-group of the Board. Risk Report pages 53 to 59
D) a description of (i) the principal climate-related risks and opportunities arising in connection with the operations of the company or LLP, and (ii) the time period by reference to which those risks and opportunities are assessed. (E) a description of the actual and potential impact of the principal climate-related risks and opportunities on the business model and strategy of the company or LLP.	The Risks and Opportunities, and a Scenario Analysis identifying the impacts, are set out in this CFD report. Effect of climate change is also identified as one of our Principal Risks and Uncertainties, set out in the Risk Report. Risk Report pages 53 to 59
(F) an analysis of the resilience of the business model and strategy of the company or LLP, taking into consideration of different climate-related scenarios.	The Viability Statement assesses the financial resilience of the business over a ten year time horizon, including the impact of Principal Risks and Uncertainties. The Scenario Analysis in this CFD report assesses the risks and opportunities over different time horizons and Representative Cognitive Pathway scenarios. Viability Statement pages 92 to 96
G) a description of the targets used by the company or LLPs to manage climate-related risks and realise climate-related opportunities and of performance against those targets.	The Company set targets in respect of reducing greenhouse gas emission as part of its PR19 Business Plan, for a five year time horizon to 2024/25. These are reported in Energy and Carbon Reporting along with metrics to monitor the emissions intensity of our operations. We have set out longer term targets in our PR24 Business Plan and Long term Strategy. Energy and Carbon Reporting pages 90 to 91
(H) the KPIs used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and a description of the calculations on which those key performance indicators are based.	Our short term environmental KPIs are reported in the Performance Review, including greenhouse gas emissions reduction. Longer term targets against climate-related risks and opportunities are described below, though they are currently qualitative in nature. Performance Review page 21

Additional Reporting	Location in this Annual Report
Internal Carbon Pricing: an explanation of whether and how the entity is applying a carbon price in decision-making	Information regarding our internal carbon pricing can be found in this CFD report on page 39.
Approach to Measuring Greenhouse Gas Emissions	Our greenhouse gas emissions are within our Energy and Carbon Reporting, while an explanation of our approach can be found in this CFD report on page 39. Energy and Carbon Reporting pages 90 to 91

Risks and Opportunities Assessment

The Board, supported by its Committees, sets the tone for risk management in the Company, including the management of climate related risks and opportunities. The Board's approach to monitoring, managing and mitigating risk, and the work undertaken by the R&CSC and the ESGC during the year, is set out in the Governance Report. The Risk Management Framework is described on page 53.

We actively monitor, identify, and assess climate-related risks, such as extreme weather events, changes in precipitation patterns, and regulatory impacts related to water quality standards. These risks are integrated into our Risk Management Framework and Risk Registers. Each risk is assessed according to consequence categories, management controls and sources of assurance.

We understand that we have different climate challenges in our operating regions. This includes flood-prone rural regions in NW while ESW has drought-sensitive areas leading to risks from storms and winter flooding in NW and risks from summer heat and water scarcity in ESW. This CFD report focuses on consolidated company risks rather than detailing region-specific vulnerabilities.

Our Climate Adaptation Report looks into risks and adaptations on a regional basis.

Our climate-related risks and opportunities have been assessed to understand the potential impact on our business model and the delivery of our strategy. The assessment builds on our previous CFD and our latest Climate Adaptation Report.

This year we have included both physical and transitional risks and opportunities, defined as follows:

- Physical - risks and opportunities related to the physical impacts of climate change such as extreme weather events or climatic pattern changes. These can be acute event-driven disruptions from extreme weather events, or chronic, climatic pattern changes in the longer term.
- Transitional - risks and opportunities related to the transition to a lower-carbon economy, commonly categorised as legal and policy, market, reputational or technology based.

The table below details the actual and potential impacts of each risk and opportunity and the targets/mitigation actions in place to optimise opportunities and adapt to risks.

Climate Related Risks and Opportunities

Impact Type	Impact Category	Risk	Potential Impact on Business	Risk Mitigation Examples
Physical Risks	Chronic	Risks to our assets from river, surface groundwater and coastal flooding	Possible damage to infrastructure or equipment, interrupt the delivery of our services, creating financial problems through costs of repairs and increased resilience measures.	• Implementation of our Storm Overflows Reduction Plan. • Establishing and developing working partnerships within the areas we serve. • Research and understanding on interdependencies and the risk associated with supply chains.
	Chronic	Risks to our systems and networks from subsidence.	Possible infrastructure damage and disruption of our water supply, leading to financial problems and diminished customer confidence in our reliability.	• Assessed the key risks to our networks from temperature by 2030. • Investment in 2025-30 to protect key chemicals from heatwaves, and to accommodate higher water temperatures. • Targeted investment to strengthen resilience against subsidence in 2025-30.
	Chronic	Risks to our network from cascading failures.	Cascading failures, impacting an interconnected system, leading to possible service disruption and reduction in water quality from widespread water outages and infrastructure damage.	• Asset resilience is built into our business planning activities to ensure we have an investment plan for climate change adaptation. • Research and understanding on interdependencies and the risk associated with interconnected supply chains.
	Acute	Risks of poor water quality and supply interruptions.	Possible remediation costs, legal liabilities and potential fines which will impact our long-term sustainability and undermine public trust.	• Detailed resilience plans set out in our WRMP. • Established critical asset assessments and zonal strategic studies used to develop our 2025-30 plans. • On-going innovation to reduce the impact of climate change on our assets

Impact Type	Impact Category	Risk	Potential Impact on Business	Risk Mitigation Examples
Physical Risks	Chronic	Risks to aquifers from sea levels and saltwater intrusion	Threat to water quality and quantity that is being distributed. There will be the need for innovation and restoration of aquifers which pose a financial risk.	• Continued assessment of the impact of sea level rises and saline incursion for specific sources (e.g, Sunderland). • Shortfalls have been considered by the schemes in our WRMP.
	Chronic	Reduced water availability, risking public water supplies	Possible threat to our ability to meet public demand and business growth, potentially leading to shortages and disruptions. Long-term implications include strained resources and heighten operational cost.	• Dry year scenarios that form part of our forward-look in our WRMP. • Customer engagement campaigns with a focus on water savings. • Work with local economic development agencies to locate high water demand businesses in suitable locations. • Regional drought plans in place for 2025-30.
	Acute	Risk that we are unable to effectively treat and manage sludge.	Threat to water quality through possible contamination from incorrect disposal. Risk to reputation from loss of trust and regulatory non-compliance. A negative or harmful effect on the environment, such as pollution or habitat destruction. Inability to deploy biosolids to a agriculture landbank	• Provision of 90-day strategic cake storage and increased high solids dewatering which provide resilience in the supply chain. • Sludge to land supply chain resilience from high solids dewatering at Howdon and Bran Sands. • Development of reactive short-term plans. • On-going strategic workshops to ensure our future operations are ready to mitigate this risk sufficiently.
Physical/ Transitional Risk	Market/ Technology	Risk that power quality reduces and increased power outages due to increased renewables and more frequent adverse weather.	Inability to meet operational requirements due to power issues and increased cost to due financial penalties. Failure to meet regulatory compliance.	• Our power resilience improvement programme
Transitional Risks	Technology	Risk of increased operational and logistical challenges as we transition to a fully Electric Vehicle (EV) fleet.	Reduced operational efficiency due to limited EV infrastructure. Inability to meet operational requirements due to a large-scale power outage.	• Adopting a risk based, phased strategic EV allocation • Our power resilience improvement programme
	Legal & Policy	Risk that we are unable to meet our mandatory and regulatory carbon performance commitment.	Reputational damage and increased negative media coverage. Increased cost due to financial penalties.	• Impacts have been accounted for as part of our Net Zero programme • Ongoing regulatory engagement
	Markets	Risk of increased cost due to external carbon pricing. (e.g. UK/EU Emissions Trading Scheme).	Increased operational and capital costs Operational resilience risk due to increase supply chain costs.	• Increased use of renewable energy such as installation of solar arrays and use of biodiesel
	Reputation	Risk of differing carbon commitments standards in the sector.	Reputational damage due to unclear climate commitments Loss of credibility with our regulators	• Public commitment to net zero by 2050 as set out in our Long-term Strategy, supported by our customers.

Impact Type	Impact Category	Risk	Potential Impact on Business	Risk Mitigation Examples
Transitional Opportunities	Market	Utilise sustainable finance instruments such as green bonds to fund projects.	Access to ESG-focused debt investors and/or those with specific sustainability mandates. Create social and economic value through funding local projects in the areas we operate.	• Robust financial control procedures. • Development of a Sustainable Finance framework.
	Technology	Self-delivery of renewables and/ or energy storage.	Financial upside as it is a lower cost than other alternatives. Reduced carbon emissions from operational electricity consumption.	• Our renewable delivery programme ensures we capitalise benefits of this opportunity.
	Technology	Transitioning our fleet from traditional petrol or diesel-powered vehicles to EVs.	Reduced carbon footprint. Financial savings because of a change in energy source.	• Adopting a risk based, phased strategic EV allocation.

Scenario Analysis

We perform an annual physical and transitional climate scenario analysis to help inform and understand how climate related events may impact business operations over time.

The Representative Concentration Pathways (RCPs) are modelled to help predict future climate and provide underlying assumptions regarding economic, social and physical changes to our environment that will influence climate change.

The identified time horizons and the RCPs used, and their definitions, are explained in the tables below.

Time Horizons and Representative Concentration Pathways:

Short-Term	Medium-Long-Term
2025-2030 PR24 price control period	**2030-2050** Long term Strategy

RCP 2.6	RCP 6	RCP 8.5
Best Case Limit global warming to 1.6 degrees.	**Middle Ground** Scenario of warming at 2.8 degrees.	**Worst Case** Warming scenarios at 4.3 degrees.

This scenario analysis was carried out in 2024, building on the analysis for our previous CFD report. It aligns to our AMP8 investment plan over the short-term and aligns with our planning horizons for WRMP, DWMP and our Long-term Strategy and Environment Strategy over the medium to long-term. Our analysis is assessed as high, medium or low, the definitions of which can be seen in the tables below.

Risks:

Low	A risk which sits in this area is considered as appropriate in relation to NWL's objectives and is the most desirable position.
Medium	Risks in this area are still key risks and may affect NWL's ability to meet its objectives, therefore, risk treatment should be considered.
High	A risk which sits in this area has an inappropriate risk exposure relative to NWL's objectives. This is undesirable and risk treatment options need to be considered.

Opportunities:

Low	An opportunity which sits in this area is considered as least likely to impact NWL and its operations. NWL is least likely to benefit from this.
Medium	Opportunities in this area are still key opportunities and may affect NWL's ability to meet its objectives and therefore opportunity enhancement should be considered.
High	An opportunity which sits in this area has a high potential to enhance the NWL's objectives. This is desirable and therefore NWL should grasp the opportunity.

Our climate change related risks and opportunities assessment does not take into account external factors beyond our control, for example, the implications of changing environmental standards. Similarly, this is an assessment of risk pre-mitigation. Our DWMP, WRMP, PR24 Business Plan and Long-term Strategy discuss options and approaches to mitigate these risks.

The DWMP focuses on reducing flood risk, improving wastewater resilience and protecting the environment through infrastructure upgrades and partnership working. WRMP addresses drought and demand pressure through enhancing water efficiency, reducing leakage and adapting to climate change. Our PR24 Business Plan and Long-Term Strategy underpin these strategies combined with targeted investment in asset health, service resilience and affordability. These plans ensure we can sustainably manage future risks while maintaining high-quality services.

Scenario analysis

	2025-2030			2030-2050		
Risk	**RCP2.6**	**RCP6**	**RCP8.5**	**RCP2.6**	**RCP6**	**RCP8.5**
Risk to our assets from river, surface, groundwater, and coastal flooding.	Medium	Medium	Medium	Medium	High	High
Risks to our systems and networks from subsidence.	Low	Low	Low	Medium	Medium	Medium
Risk to our network from cascading failures.	Medium	Medium	Medium	Medium	High	High
Risks of poor water quality of supply interruptions.	Low	Low	Low	Medium	High	High
Risks to aquifers from sea levels and saltwater intrusion.	Medium	Medium	Medium	Medium	High	High
Reduced water availability, risking public water supplies.	Medium	Medium	Medium	Medium	High	High
Risk that we are unable to effectively treat and manage sludge (bioresources).	Low	Low	Low	Medium	Medium	Medium

Risk	2025-2030			2030-2050		
	RCP2.6	RCP6	RCP8.5	RCP2.6	RCP6	RCP8.5
Risk power network resilience reduces, and power outages increase due to increased renewables and more frequent adverse weather	Medium	Medium	Medium	Medium	High	High
Risk transitioning our vehicle fleets to fully electric reduces our ability to operate during power outages	Low	Low	Low	Low	Low	Low
Risk that we are unable to meet our mandatory and regulatory carbon performance commitment	Low	Low	Low	Medium	Medium	Medium
Risk of increased cost due to external carbon pricing (UK/EU ETS)	Low	Low	Low	Medium	Medium	Medium
Opportunity						
Reduce impact of resilience of power network through self-supply from on-site renewables and/or energy storage*	Medium	Medium	Medium	Medium	Medium	Medium
Utilise sustainable finance instruments such as green bonds to fund projects*	Medium	Medium	Medium	High	High	High
Transitioning our fleet from petrol / diesel-powered vehicles to electric vehicles (EVs) creates opportunities to synergise with partners	Medium	Medium	Medium	Medium	Medium	Medium

Completing this scenario analysis against the RCPs over short and medium-long time horizons enables us to produce a business model in which we can understand and manage our climate-related risks and opportunities. Assessing against a short-term time horizon allows us to identify immediate risks and opportunities, which helps to inform strategic decisions and investment strategies. Over the medium term, this analysis enables us to prepare for future climate impacts. A forward-looking approach ensures that our business model is resilient and adaptable to anticipated risks and opportunities.

Use of Carbon Pricing

We consider the climate impact of all of our activities. Our Service Value Framework takes account of our internal carbon pricing included in our regulatory determination and the societal impact of the emissions that result from our activities. By assigning a monetary value to carbon emissions we ensure that we select projects and products that are best aligned with our Net Zero commitment. Our internal carbon price is set at £187/tonne for 2025-30 and for societal value of carbon we follow UK government valuations.

Approach used to Measure Greenhouse Gas Emissions

Our long-term goal to deliver net zero emissions by 2050 was based on the standards and guidance provided by the Greenhouse Gas (GHG) Protocol standard, designed to provide a true and fair account of GHG emissions from our operations and value chain.

It is important that we have robust assurance arrangements to make sure such information is accurate, clear, and transparent. On an annual basis, targets are reviewed internally by our Energy Carbon and Risk Management Committee, and we obtain independent assurance for our GHG emission reporting, prepared in accordance with ISO 14064-1:2018.

Conclusion

We recognise that climate risks and opportunities will continue to evolve over time, and we remain committed to refining our approach based on emerging best practices, regulatory developments, and stakeholder expectations. By proactively managing our climate related risks and integrating sustainability into our strategic decision making, we aim to enhance our resilience.

To deliver our long-term targets and address the challenges that we have in our operating regions we have identified four areas where new investment will be required. These areas are:

- Ensuring sustainable water supplies;
- Protecting the local environment;
- Delivering Net Zero; and
- Maintaining resilience.

These priorities help to form the foundation of our strategic plan to 2050. However, we also recognise the need to remain flexible and responsive. As new information becomes available, we will adapt accordingly. To support this, we have identified several key trigger points where we anticipate new information to be available which will inform choices on future investment pathways.

As part of our commitment to transparency, and accountability under CFD and aspects of IFRS, we will continue to enhance our climate-related disclosures, ensuring that they are decision useful. By embedding climate considerations into our governance, strategy, risk management and metrics and targets, we position ourselves to navigate the transition to a low-carbon economy effectively. This is a dynamic landscape, and we will remain committed to reporting annually and reflect on our achievements and areas for continuous improvement.

Competitiveness

Our finances are **sound, stable** and **achieve a fair balance** between customers and investors.

Financial Performance

A review of our financial performance and financing position is detailed in the Financial Performance and Structure section on pages 49 to 52.

Leading in Innovation

We are an **innovative** and **efficient** company.

As one of our core company values, innovation is embraced, encouraged, and celebrated year-round. It fuels our drive to build a resilient, future-ready business, ensuring our operations remain reliable, efficient, and forward-thinking. Empowering people at every level is the key to unlocking breakthrough ideas. By encouraging a growth learning and curious mindset across the organisation, we are not only delivering on our ambitious business strategy but also cementing our reputation as a leader in innovation, both within and beyond the water sector.

Innovation culture

During this period, we have continued to strengthen innovation capability, by embedding a culture that accelerates the development and implementation of high-impact solutions. We continue to champion employee-driven innovation, encouraging ideas through our Innovation Ambassador Network, Innovation Festival, and Invest Quest competition. Innovation is also recognised and rewarded through our Viva Awards, which recognise our people for living out vision and values, and where outstanding contributions to innovation are celebrated.

Our annual Innovation Festival saw record participation, with 800 employees actively contributing, reinforcing our commitment to a collaborative innovation culture. Innovation updates were shared monthly through our Innovation Connect newsletter, which now reaches an audience of over 6,000 readers, ensuring broad engagement across the business and beyond.

We have also made significant progress in embedding ISO 56001 systematic innovation management, with 13 team members and ambassadors successfully completing training. This framework is now being deployed across our innovation processes, supported by the latest digital tools that enable an automated, mineable, and easily reportable innovation pipeline, streamlining how we track and scale new ideas.

Innovation Festival

The Innovation Festival returned for its eighth year, with the theme of speed and scale. This was our largest, most attended and most successful event to date. With more than 3,000 attendees and achieving our highest engagement levels from within NWL, across the water sector, and beyond, while delivering exceptional output quality. Serving as a vital component of our innovation program, the festival plays a pivotal role in idea generation, project acceleration, and the establishment of consortia for future external funding bids.

The festival is now an established and highly anticipated event that attracts a diverse audience which is critical for coming up with transformational solutions. With attendees from 45 sectors and over 650 organisations representing more than 34 countries, the festival fostered extensive collaboration and networking opportunities and contributed over £2m to the local economy. The Innovation Festival format is also being adopted internationally, with Veitur Utilities in Iceland running their first festival in June and Ordnance Survey and Sydney Water in March. We provided expertise to assist in the set up their events, further reinforcing our global leadership in innovation.

The event featured 50 sprint activities, generating projects with a potential combined value of generated ideas estimated at £160m/year and more than 20 potential bids for the Ofwat Innovation Fund. To maintain the momentum, the top five projects were spotlighted in our first Christmas Festival Booster event. This half day event attracted 200 people to review and amplify the progress of this high potential projects so they can move even faster and gain valuable new insights and connections.

Innovation fund

We have continued to play a leading role in the Ofwat Innovation Fund and have now won a total of 19 bids, more than any other company, including further success in the achieving significant success in Water Breakthrough Challenge 5, announced in May 2025.

Smart Skies Healthy Waters
A world-first project which is set to completely transform the monitoring of our region's waterways using automated drones, robotics, and novel water sampling techniques. It will include a 'drone and lab-in-a-box' system, which will deliver real-time, onsite results and lab grade analysis, helping to protect inland and coastal waters for our customers, communities and the environment.

Net Water PositiHyve
This project will help to preserve precious drinking water resources for our customers in the north by recycling left over water from treated wastewater and reusing it at large industrial sites, to avoid potable water being used for industrial purposes.

Stream 3 – Scale and Reach
Building on a previous project to create an open data platform, which is already being used in innovative projects, Stream 3 will unlock and share data from across the water industry helping to improve the industry's performance when it comes to decision making, delivering value for customers and benefits to the environment.

Our success in this latest round of funding is further testament to our commitment to use innovation and technology to improve the way we work, for the benefit of our customers and the environment.

Value from innovation

In 2024/25 we have continued our focus on delivering maximum value from innovation by accelerating projects into business as usual and scaling proven solutions. Innovative solutions like the NoDig leak fix technology and MOWBI/TOWBI interruptions to supply trailers are now business as usual and making a big difference. Our innovation pipeline has grown to 145 projects, with a potential value exceeding £150 million annually.

The National Underground Asset Register, a digital map of underground pipes and cables, is an idea which was originally pioneered at our Innovation Festival. This has now been rolled out across the UK and is on track to be fully operational by the end of 2025.

Our priority is supporting transformational projects that deliver long-term impact. Among these, the Green Machine stands out as a game-changing wastewater treatment solution, with the potential to deliver multi-million in annual savings (see case study on this page). The Smart Sewer project is also making strong progress, with trials underway in North Tyneside. This initiative is designed to optimise storm overflow usage, improving network efficiency and resilience (see case study on page 28).

Another high-value project emerging from the Innovation Festival is Generative AI for Chemical Dosing, which is now being trialled at pace. This AI-driven dosing optimisation system has the potential to increase efficiency, enhance compliance, and reduce operational costs significantly. If successful, its application could be scaled across both water and wastewater treatment, delivering multi-million-pound savings annually while contributing to our net zero ambitions.

By fostering a culture of creativity, collaboration, and continuous improvement, we are delivering transformative solutions that enhance resilience, efficiency, and sustainability. As we look ahead, we remain dedicated to pushing boundaries, scaling impactful solutions, and leading the way in water sector innovation.

Case Study:

Green machine technology assessment

Challenge

We faced a significant challenge in treating digested sludge liquor, a highly concentrated effluent generated during the treatment of sludge at wastewater treatment facilities. This liquor contains high levels of ammonia, Chemical Oxygen Demand (COD), phosphates, and suspended solids, making it particularly difficult to manage. Traditional treatment methods are costly, require significant quantities of chemicals, and contribute around 30% of a typical facility's annual CO_2 emissions. Additionally, these methods release nitrogen oxides, further impacting the environment. We needed a more efficient and environmentally friendly solution to address these issues.

Action

In response to this challenge, we developed the Green Machine, a novel technology that uses a unique species of microalgae to treat digested sludge liquor. This microalgae strain, identified at Bran Sands Sewage Treatment Works, is adapted to high ammonia environments. Over the past seven years, we have invested significant resources, both financial and staff time, into developing Green Machine to an operationally relevant pilot scale plant.

The development process involved several key steps. Initially, we identified the microalgae species and began optimising growing conditions. This led to a PhD project at Newcastle University, where the microalgae's efficiency in high ammonia conditions was confirmed. Following successful pilot tests, we developed a larger pilot scale plant capable of treating $5m^3$/hr of digested sludge liquor. This system includes a holding tank, disc filter, ultrafiltration system, bioreactor tanks, and a second ultrafiltration step to remove the microalgae. We have constructed our first plant and are now building a second adjacent plant which will support our AMP8 commitments.

Impact

The implementation of Green Machine has shown significant positive impacts. The technology reduces energy consumption by 90% compared to current treatment methods and is predicted to reduce process emissions, including nitrous oxides and CO_2, by 80%. It eliminates the need for chemicals and effectively removes 90% of the ammonia and 75% of the COD in the liquor. After treatment, the waste stream has 80% lower total nitrogen levels and 60% less phosphorus. Additionally, the process removes 10% of the liquor volume as biosolids, which can be used as a nutrient-rich fertiliser.

The pilot plant's success has generated considerable interest within the water industry. Overall, Green Machine represents a significant advancement in the treatment of digested sludge liquor, offering a more sustainable and efficient solution that aligns with our commitment to environmental stewardship and operational excellence. The technology not only improves the treatment process but also sets a strong foundation for future success in managing wastewater treatment challenges.

People

We are seen as a **great place** to work

As a Certified UK Great Place to Work our aspiration is for all our people, current and future, to have a positive experience at work and to understand the part they play in achieving our purpose, vision, outcomes, and delivering unrivalled customer experience.

In November 2024, 91% (88% in 2023) of colleagues provided feedback via our annual Great Place to Work (GPTW) engagement survey, with 82% agreeing that the organisation is a great place to work, ranking the organisation in the top 40 UK employers. Our Trust Index also improved to 78%, better than our target.

More information on Great Place to Work can be found at Great Place To Work

Recognition and Communication

Recognition of colleagues was a focus in 2024, with updates to our Tap Into Recognition Portal, allowing colleagues to acknowledge and thank each other. This resulted in over £100k in recognition points being awarded to colleagues. Our 11th annual colleague ViVa Awards took place showcasing where colleagues have done outstanding work to demonstrate our Vision and Values.

Communication through multiple channels has helped colleagues feel informed and engaged including H2info e-bulletin, Digital Display Screens onsite, The Source Intranet, Viva Engage, and Your Voice Forums, maintaining effective two-way communication.

In 2024, our CEO, Heidi Mottram, and the Executive Leadership team hosted over 65 interactive Employee Roadshows, offering colleagues the chance to hear key messages, celebrate milestones, share ideas, ask questions, and raise concerns. Quarterly Team Talks covered key business topics, supported by resource packs with videos and interactive activities.

Living Wage and Respect at Work

We continue to be accredited as a Living Wage Employer with the Living Wage Foundation, ensuring that every employee in the Company earns at least the Real Living Wage, an hourly rate set independently and calculated according to the basic cost of living for the UK. More information on the Living Wage can be found at Living Wage.

Our Respect at Work Policy seeks to ensure that all our current employees and potential employees are treated with respect. In 2024, we launched our ‘Safe to Say’ initiative in partnership with Colleague Networks to support honest and open dialogue and a review of feedback channels. This has created an additional mechanism for feedback, which is adding value by addressing any issues early and taking proactive approaches where needed. In November 2024 through our GPTW survey, colleagues told us this work had made a real impact, with 85% agreeing “it’s safe to say here, I can raise a concern about culture or behaviours no matter how big or small”.

Early Careers Strategy

To reflect our communities and bring in new perspectives to NWL, we invest in early careers. Whether through apprenticeships, graduate schemes, undergraduate placements, or work experience, individuals can reach their potential and contribute meaningfully.

Our Early Careers Strategy ensures we have the right people with the right skills to support our vision. In 2024, we provided 52 apprentice opportunities with a 99% retention rate, recruited 13 undergraduates, engaged over 1,000 students through our Innovation Festival and offered work experience to over 30 students.

Our Women in STEM (WiSTEM) Network focuses on promoting career opportunities and inspiration within schools, colleges, and universities. This network is part of the broader Together for Inclusion, Diversity & Equity (TIDE) networks, aiming to create a supportive and inclusive company culture.

People Development

We invest in developing leaders and managers, enhancing leadership practices, and fostering high-performing teams. Our focus on continuous learning creates a positive work environment and organisational success.

Resources such as a management induction programme, leadership masterclasses, and management coaching ensure leaders have the tools they need to lead their teams well. Our personalised approach supports individual growth and builds a culture where everyone feels valued.

The Aspiring Managers Programme is a six-month programme developing skills for future people managers. Feedback shows it boosts confidence in career progression. Our Learning Hub helps colleagues grow their careers, with over 500 colleagues participating in core skills development masterclasses during the year.

We offer upskilling apprenticeships and have clear development plans for technical roles, such as Competent Operator Schemes in water and wastewater teams.

Case Study:

Preparing for 2025-30 with workforce planning and graduate recruitment

Challenge

As we approached AMP8 (the 2025-30 business plan cycle), we needed to make sure we had sufficient capacity and were ready to meet the demands of this significant investment programme. Our focus was on recruiting and onboarding a larger workforce without compromising quality, providing training and communications to support change implementation, and ensuring operational readiness to respond to a 10% larger workforce. Additionally, we aimed to create tools for future success, including workforce planning, competency frameworks, learning pathways, knowledge capture, MI dashboards, Sharepoint, induction, and e-learning.

Action

In 2024, we carried out extensive workforce planning across the entire business to expand our capacity and capability by scaling up our recruitment efforts. This resulted in an approximate 10% increase in headcount, with recruitment and onboarding happening now and throughout the first six months of 2025. We also developed a refreshed onboarding and induction programme, known as Springboard, to support new hires.

As part of our efforts, we launched the Building Futures Graduate Scheme, introducing nine new roles with 67% of the first cohort being female. This programme aims to establish a pipeline of talent to deliver £3.6 billion of investment across our water and wastewater assets between 2025 and 2030, and beyond. We have already recruited the second cohort, with offers accepted for another eight graduates joining us in September 2025. This year, we welcomed a group of 9 graduates to our Assets team, who are beginning a rotational placement scheme that will see them playing a part in our biggest ever investment programme – AMP8.

Impact

The workforce planning and recruitment efforts have significantly increased our capacity and capability, ensuring that we are ready to meet the demands of AMP8. The refreshed onboarding and induction programme, Springboard, is helping new hires integrate smoothly into the organisation.

The Building Futures Graduate Scheme has been a resounding success, securing graduates for the coming two years. These graduates bring fresh ideas and insights that can influence not only how we do things but also the way the wider industry and construction sector works in the future. All our graduates have begun their placements, taking on important projects and starting their learning journeys in their new workplaces. During the year they began their formal training, exploring one of our Capital Delivery Project sites, learning more about themselves and their communication styles, and meeting members of our Leadership team.

Overall, these initiatives have positioned us well for the future, ensuring that we have the talent and capacity needed to deliver AMP8 successfully while building solid foundations for our workforce's careers.

Diversity and Equal Opportunities

Our TIDE strategy was launched in 2021 and continues to be a key focus for us year on year. The strategy sets out our ambitious targets that will see us become a more diverse organisation, which truly represents the communities we serve.

Our targets for March 2026 and performance over the past three years are shown in the table below.

Characteristic	Target by March 2026	2022/23	2023/24	2024/25
Gender	>35% of colleagues are female	33.0%	33.0%	33.5%
Ethnicity*	4.3% of colleagues are non-white	2.3%	3.0%	3.1%
Disability*	>6% of colleagues with a reported disability	6.7%	8.8%	9.7%
Pay fairness	Gender Pay Gap <7%;	10.5%	11.7%	11.3%

* based on Great Place to Work demographic data gathered in annual employee survey

Since launching TIDE, and by monitoring our recruitment and selection practices to ensure the elimination of bias in our processes, we have increased the number of applications from women. This has carried through to shortlisting and appointment. We have also increased the number of applications from candidates from Black, Asian, and Minority Ethnic Groups

We have built further links with communities and employment groups to support the attraction of our underrepresented groups to join us here in the organization, with a key focus on harnessing closer relationships in our ESW operating area.

NWL is dedicated to fostering a fair and respectful working environment, as outlined in our Equal Treatment Policy. We are continually challenging our practices to ensure recruitment, selection, employment, training, and promotion are based on merit. It is our intention that all job applicants and employees are treated equally, regardless of their age, ability, marital or partnership status, race, religion or belief, gender or sexual orientation.

Name	Female	Male
Board	3	7
ELT	4	5
Full Company	1,205	2,412

While we have made significant strides in advancing gender equality, we recognise that there is still work to be done. Our Gender Pay Report serves as a roadmap for our ongoing efforts to identify and address any barriers to gender equality and to ensure that all employees are fairly compensated for their contributions, regardless of gender.

We encourage open dialogue and collaboration across all levels of the Company as we work together to build a more equitable and inclusive workplace. We continue to focus on growing our talent across all areas of the business and have seen positive impacts from our female-focused recruitment advertising through imagery and social media targeted recruitment advertising.

Within Early Careers in 2024, 66% (60% in 2023) of our graduates are female, working in our Asset, Water, Regulation and Assurance, Finance and People teams. Our continual review of our gender diversity in the business has led to new development programmes being developed to enable our colleagues of all genders that aspire to be a manager or leader in the business to grow their skills and knowledge to enable them to be confident and successful in applying for roles in the future.

Our Spark Managers course has had over 38% of attendees being female, and we've seen them go on to be successful in promotions at all levels in 2024, with 45% of those attending the course and progressing being female. We recognise our gender pay gap is still there and still needs to be tackled.

For 2024/25, we have seen a decrease in the median gender pay gap compared to the previous year, with the median hourly rate for females at 11.3% less than males (compared to 11.7% in 23/24). This positive trend can be attributed to a 5.4% increase in female headcount versus a 4.7% increase in male headcount, along with a 4.9% increase in the median female pay compared to a 4.5% increase in the median male pay. Our workforce is currently composed of 32.5% females, up from 32% last year.

It is important to note that there has been an increase in females occupying lower quartile paid roles. We recognise this and remain committed to fostering their career growth. Our dedication to developing talent has led to more women joining us in early career roles. However, our ultimate goal is to support and empower these individuals, equipping them with the skills and opportunities needed to become future leaders.

Our workplaces are **healthy** and **safe**

Health and Safety

It is our aspiration and ethical responsibility to make sure that everyone goes home safe every day, which extends to our employees, supply chain partners, and customers. The number of incidents reported in 2024 is very similar to the number recorded in 2023 and this includes the number of Lost Time Accidents (LTAs) although there was a significant reduction in the number of incidents reported that fall within the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR).

Although the number of lost time incidents recorded is very similar to previous years, the number of days lost has significantly reduced, meaning that although colleagues have taken time off to recover from their injuries, they are taking less time off to recover. The number of High Potential incidents (HiPo's) reduced by 50% compared to 2023, whilst this is encouraging, the business continues to learn lessons from each HiPo, accident, or near miss. In 2024 we also carried out the Health and Safety Executive's (HSE) Health and Safety Culture survey with colleagues for the very first time. This was an extremely worthwhile exercise as it highlighted some areas of improvement around health and safety policies, procedures and training which have been incorporated into the 2025 Health and Safety plan.

Other improvements implemented for 2025 include a team specifically looking at process safety and a team dedicated to construction safety. We continue to see considerable employee engagement with our established safety awareness tools within the business.

Our people voluntarily carried out approximately 119,573 '60 second checks' and held 9682 safety conversations, and 4,289 hazards were spotted and reported within the business. All these measures again demonstrated an increasing trend compared to the previous year.

Our managers and leaders conducted 2,818 safety visits and 4,789 contractor safety audits, demonstrating a commitment to visible safety leadership, with our focus is on managing risk on high-risk activities through a point-of-work specific risk assessment tool.

Employees completed over 10,610 high hazard risk assessments whilst working on our assets, which control risks associated with working at height, confined spaces, chemical handling, lifting operations, jetting, mobile plant, isolations of plant, hot works and excavations. The health and safety team conducted 214 assurance visits on the business high hazard activities to ensure effective controls are in place. The team also carried 54 Workplace Transport Risk Assessment ensuring that vehicle movements on our sites are safe and well managed and they also carried out 56 Fire Risk Assessments. In addition, our ELT members conducted 101 safety leadership visits in 2024.

Wellbeing

The health and wellbeing of our colleagues is served through our unique 'Living Well' platform. Introduced in 2020 to better improve both the access and quality of our health offering, Living Well is a digital platform that holds all relevant resources and services and is accessible 24/7 using work or personal devices.

Living Well covers three areas - Mind, Body, and Social - and is built in a visually simple, and engaging style. In 2024, we refreshed our Living Well offer through the seasons to focus on the effects to our colleagues' mind, body and social to ensure they had the right information at the right time to support their wellbeing.

As part of the Living Well approach to Health and through our Women's and Assigned Female at Birth Health Group it has delivered a number of initiatives and created a Women's Wellbeing Guide that supports females through various life events that significantly shape their experiences and recognising the uniqueness of each individual women harbour a diverse range of emotions and reactions in response to these events. This colleague-led group has created a platform for positive and open discussion around areas impacting the health of women.

Our wellbeing offer continues to be recognized as highly innovative and comprehensive, maintaining Better Health at Work Ambassador Status by the TUC, and ranked as a Great Place to Work UK Best Workplace for Wellbeing.

Communities

We are proud to **support** our **communities** by giving time and resources to their **important causes**

Our ambition is to be the most socially responsible water company. We are rooted in the communities we serve in the North East and South East of England. We deliver activities through financial contributions and volunteering, including our Just an Hour scheme, where over 50% of our employees volunteered supporting over 700 good causes. From working in partnership with various foodbanks, clothing and log banks, supporting schools to tree planting, habitat improvement works, taking part in beach cleans and continuing our longstanding partnership support with WaterAid.

We're continuing to invest in our three historic waterwork sites, which now are now open to the public as museums and are proud of our longstanding partnership support with the dedicated museum volunteers who help us preserve these spectacular heritage sites for generations to come.

We have consistently reinvested at least 1% of our profits into our communities through programmes like Just an Hour, Cheque it Out, Branch Out, Bluespaces, and our Community Foundations. Our community investment strategy focuses on three areas central to our Purpose:

- **Ending water poverty** – Supporting customers with their bills is an important part of our Customer teams' work. We have actively participated in various community-based events across the North West, Essex, and Suffolk regions, focusing on providing support and advice on health, finance, and wellbeing. These events, including partnerships with organisations like South Tyneside Homes, Karbon Homes, and Stockton on Tees Borough Council, have allowed us to engage with residents and promote initiatives such as affordability support, water efficiency and our Priority Services Register, ensuring that our communities are well-informed and supported.
- **Water for health** – It's important to drink water to stay healthy and hydrated and we actively encourage customers to 'choose tap' more. We held Powered By Water sessions in schools delivering our key hydration messages to thousands of children. We also held our 2024 WaterAid Ball which raised over £40,000 on the evening in support for WaterAid project work in Rwanda to support access to clean water, hygiene practices and sanitation services.
- **Protecting the water environment** – From minimising the amount of water that's wasted to supporting excellent bathing waters, we work hard to restore and regenerate our natural environment. We continued to provide support to our environmental funding programmes, Branch Out and Bluespaces, and we engaged 1,706 pupils across our supply areas through a programme of free 'Water Tracker Training Camp' workshops.

Just an Hour

Our Just an Hour volunteering scheme allows our employees to support local communities and improve customer perceptions. Volunteering provides benefits such as team building, learning new skills and forming valuable partnerships within our communities. We provide a range of volunteering opportunities, including helping foodbanks with emergency food parcels, supporting log banks to keep vulnerable homes warm, taking part in beach cleans, assisting cancer support charities and making a difference at animal rescue centres. We also encourage colleagues to support other charities which are important to them.

In 2024 we achieved the highest number of colleagues volunteering since Just an Hour started. A total of 1,870 colleagues volunteered last year, supporting over 700 organisations in our local communities and completing 2,731 volunteering activities. The increased participation in volunteering activities has had a positive impact on our communities, strengthened team bonds and provided opportunities for colleagues to learn new skills.

Bluespaces

We developed a new approach to investing in water environment improvement in AMP7 through our collaborative Bluespaces programme, working with environmental partners across our NW and ESW operating areas. This has delivered in access and recreational facilities, wildlife and biodiversity and water quality, across all water environments; lakes and reservoirs, streams and rivers, canals, wetlands, coasts and beaches.

Over the five years of AMP7, we have improved 262km of water environment for our customers in our regions across 61 projects. The projects we have delivered have had significant environmental and social benefits and have drawn in partner co-funding to invest in catchment projects and associated improvements. Specific benefits delivered across the 5-year programme include 416ha of new wetland created, 7,600 trees planted, 5,300 volunteer days, 5,000 members of the public engaged, 120 new benches installed and over 40 fish passage features created.

We have continued to work closely with the Water Environment Governance Group (WEGG), an independent group made up of external expert stakeholders who are passionate about improving the environment, to help shape and steer our activity. We have pledged to continue to invest in water environment improvements for our customers to improve 500 km of Bluespaces by 2030.

We work in **partnership** with companies and organisations to **achieve the goals** that are most **important** to our customers

Local procurement

We are proud to spend more than 60p in every £1 with local suppliers, ensuring we have a supply chain that helps uphold our social, economic, and environmental standards.

We have continued to develop and widen relationships with our supply chain and external organisations to reach new audiences with procurement opportunities. These events have allowed targeted local supplier engagement, sharing insight into our buying and access to opportunities.

Our Responsible Procurement Strategy, which includes our 'Impact Initiative 7' has continued to develop. Actions over the past year include:

- Targeted local supplier engagement at 'Meet the Buyer' events such as the chamber of commerce expo and County Durham Pound, to enable local suppliers to gain insights and access to opportunities.
- We continue to share our 'Procurement in the Community' educational pack designed for local SMEs to inform them about the procurement process and wider Utility procurement.
- In recognition of Anti-Slavery Day in 18 October, we dedicated a week to raising awareness of Modern Slavery and Human Trafficking. Our efforts focused on sharing information and resources with both our employees and supply chain partners about the importance of these critical issues.
- We ran a 'Dragon's Den' style event called the Innovation Connect Challenge where we invited suppliers to pitch for funding for their innovative ideas.
- We celebrated the successes of our suppliers by holding our Go the Extra Mile (GEM) awards and this year included responsible procurement award categories.
- We have worked with our supply partners to highlight skills investment, carbon reduction, diversity in the workplace and social value delivery through case studies that form part of our annual responsible procurement review document.

Within the wider water industry, British Water's annual UK Water Company Performance Survey asks contractors, consultants and suppliers to rate their clients' performance in 12 areas, including professionalism, contractual approach and communication. We have continued to score above the average on all areas and in 2024 we were ranked number one in the league table by our suppliers.

Case Study:

Positive outcomes through partnership working

Challenge

We manage and maintain extensive landholdings, which included woodlands and reservoirs. Over the years, plastic tree guards and reptile barriers have been used extensively to protect young trees and reptiles, posing an environmental hazard. The task of removing these legacy plastics, and replacing them with more sustainable methods, was daunting due to the sheer volume and the need for sustainable disposal methods.

Action

In 2024, we carried out a series of initiatives in partnership with local organisations to address these challenges. At Abberton and Hanningfield Reservoirs, approximately 3,000 plastic tree guards were removed from the woodlands, working with the Essex Wildlife Trust (EWT), Essex County Council (ECC) and local volunteers. The guards were then sent to the Essex plastic tree guard recycling hub, set up by the Forestry Commission.

A partnership working party was organised at Abberton Reservoir in September 2024 to remove plastic reptile barriers. These barriers had been used to protect the reptile population during the reservoir expansion works but had since become redundant. The team for EWT, ECC and other volunteers collaborated to remove around 1,200 meters of the total 1,400 meters installed.

To address the long-term issue of plastic use, we explored alternative methods for protecting young trees and newly planted hedges. These methods included using guards made from wool, cardboard, and bioplastics, as well as over-planting in high numbers without guards to compensate for any losses.

Impact

The partnership initiatives had a significant positive impact on the environment and the community, reducing plastic waste and its associated environmental hazards. The collaboration with local organisations demonstrated the power of partnership working in achieving common environmental goals.

The establishment of the Essex plastic tree guard recycling hub by the Forestry Commission provided a sustainable solution for disposing of the removed plastic guards. This initiative not only addressed the immediate issue of plastic waste but also set a precedent for future environmental management practices.

Exploring and implementing alternative methods for protecting young trees and newly planted hedges without relying on plastic guards showcased our commitment to sustainability and innovation. These efforts contributed to our long-term goal of reducing our environmental footprint and promoting biodiversity on our landholdings.

The positive outcomes achieved through partnership working in 2024 underscore our dedication to environmental stewardship and community engagement. By collaborating with local organisations and exploring sustainable alternatives, we have successfully addressed the challenge of managing legacy plastics and protecting young trees while setting a strong foundation for future environmental initiatives.

Reputation

Our customers say we are a **company they trust.**

We have always strived to be a responsible and ethical business, putting our customers, communities, employees, and environment at the heart of everything we do.

Our responsible business practices have again been recognised over the past year. For the 14th time we were named on the World's Most Ethical Companies list, compiled by Ethisphere, the only UK company named in the list. This is based on our approach on matters including governance, employment practices and social responsibility, which are benchmarked against companies around the world.

We have also been listed for the fifth time by the Great Place to Work as one of the UK's Best Workplaces in the super large category. Being recognised nationally as a great employer is a fantastic achievement and something we are very proud of. Being a great place to work has many contributing factors, it's not just about what our people do as an individual, it's about the teams we belong to and what we deliver for our customers, the environment, and our communities.

We were delighted to have been re-accredited to the Good Business Charter for the fourth time, February 2025. The Charter, which is supported by the Confederation of British Industry (CBI) and the Trades Union Congress (TUC), recognises businesses that demonstrate responsible practices across ten key components, including paying the real living wage, prompt payment to suppliers, environmental responsibility, employee wellbeing, and diversity and inclusion. Our re-accreditation is a testament to the hard work and dedication of our teams and we are proud to be the only water company currently accredited.

Water Matters

CCW publishes the results of its Water Matters survey each year, which is an independent survey that looks at customers' views and preferences on the services they receive from water companies across England and Wales.

With the water industry still under the negative media spotlight, it's unsurprising that positive sentiment of the industry overall has fallen. However, we were pleased that our trust scores were significantly higher than the industry average and in our NW operating area actually increased compared to the previous year. Overall, we were ranked as the second most trusted water and sewerage company in England, while in our ESW area we were in second position for trust against other water only companies.

Among the customer feedback, we were ranked:

- first place for satisfaction with water pressure;
- top position for satisfaction with company actions to minimise sewer flooding;
- joint top for satisfaction with value for money of sewerage services;
- joint top for satisfaction with reliability of water supply; and
- joint first place for satisfaction with taste and smell of tap water.

These latest scores are testament to everything our colleagues do every day to provide an unrivalled experience for our customers. We are never complacent though and we're continuing to make further investment to improve services for our customers and increase the resilience of our water and wastewater services as part of our AMP8 business plan commitments.

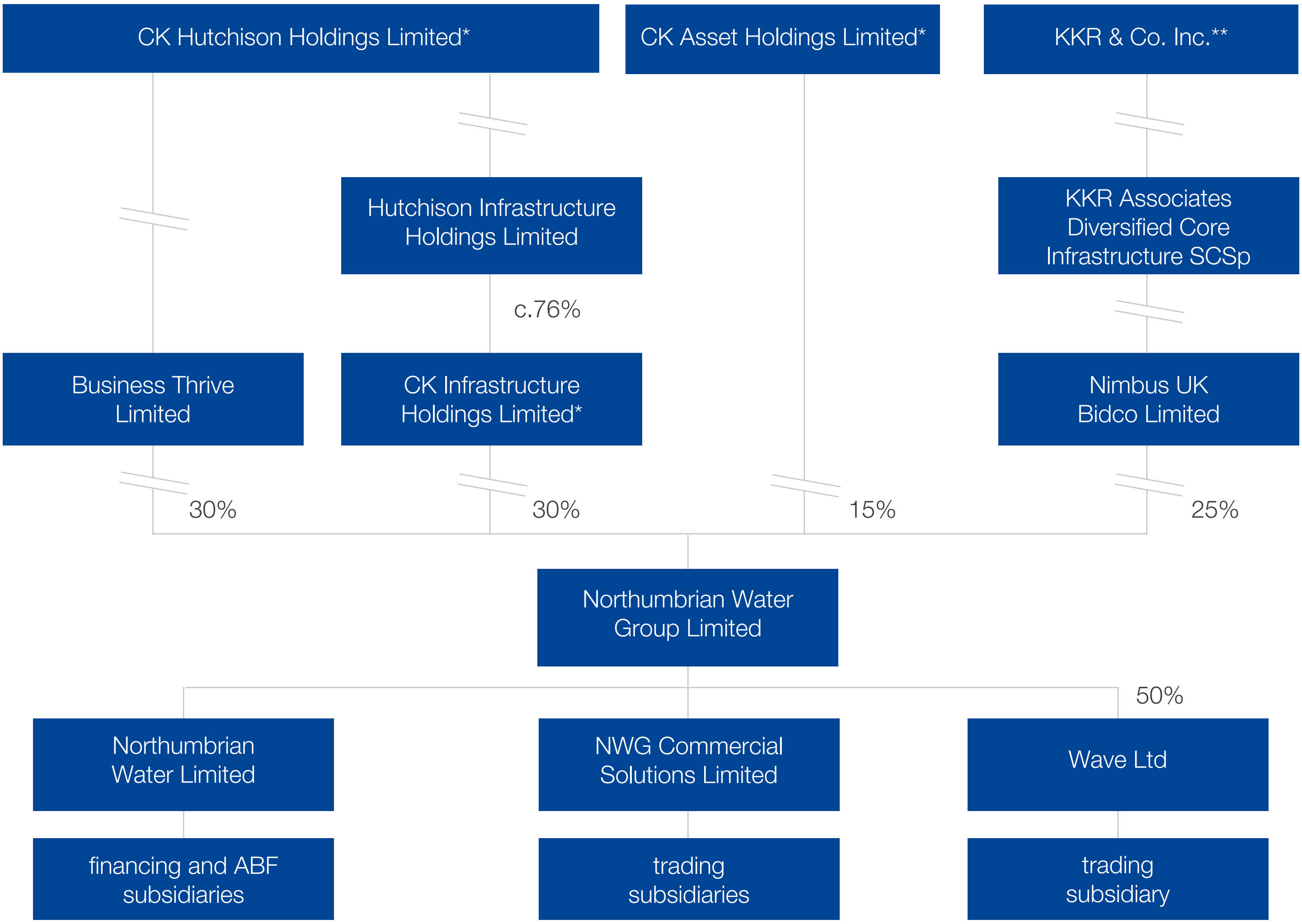
Financial performance and structure

Ownership structure

NWL is a wholly owned subsidiary of Northumbrian Water Group Limited (NWGL). NWGL has one other direct subsidiary, NWG Commercial Solutions Limited, which acts as a holding company for other non-regulated trading companies. NWGL also owns 50% of a joint venture company, Wave Ltd. which, through its trading subsidiary, carries out Non-household (NHH) retail activities in England and Scotland.

The chart below shows the summarised corporate structure of the NWGL Group. The chart shows the principal intermediate holding companies and subsidiaries in the structure, which are wholly owned unless otherwise shown.

CKHH, CK Infrastructure Holdings Limited (CKI), Business Thrive Limited, KKR & Co. Inc., KKR Associates Diversified Core Infrastructure SCS, Nimbus UK Bidco and NWGL have provided Ultimate Controller undertakings to the Company in accordance with the provisions of the Company's Instrument of Appointment (Licence).



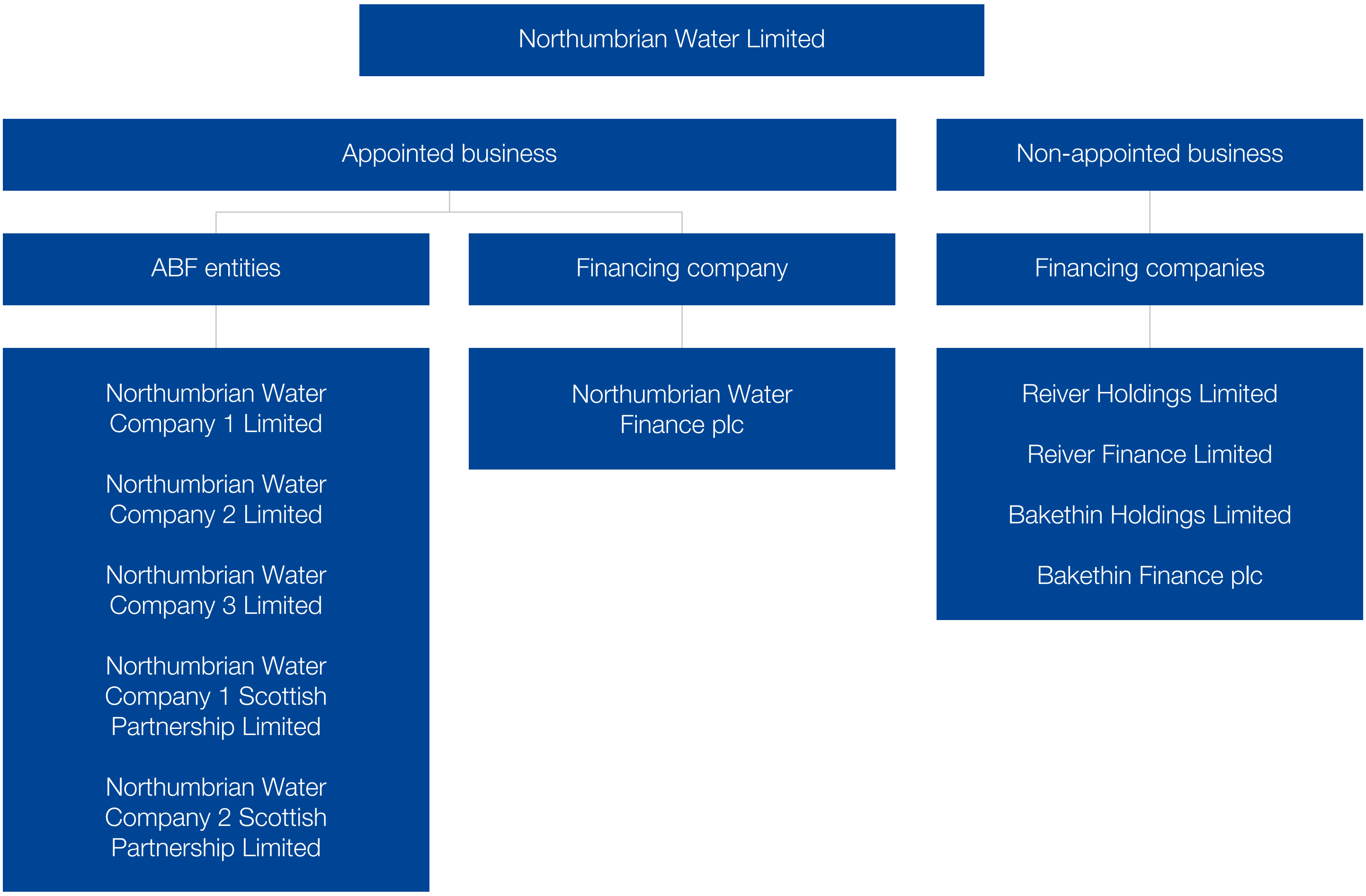
*Companies listed on The Stock Exchange of Hong Kong Limited
**Company listed on the New York Stock Exchange

NWL Group structure

In 2023/24, NWL entered an Asset Backed Funding (ABF) arrangement in respect of its defined benefit pension scheme. This arrangement provides greater security to the pension scheme allowing the pension actuarial deficit to be repaid over a longer time period of 15 years. This is beneficial to both the pension scheme and NWL's customers, as it spreads the pension deficit recovery payments over a longer period, improves short term cash flows and improves financial resilience.

The ABF introduced additional subsidiaries to NWL, shown as 'ABF entities' on the chart below, and additional accounting transactions between NWL and these subsidiaries. NWL has therefore produced consolidated accounts which eliminate these additional accounting transactions and gives a clearer representation of the NWL Group of companies, including the net impact of the ABF arrangement.

In addition, the existing financing companies set up for the Kielder securitisation transaction in 2004 are also included in the consolidated position. The chart below shows the NWL Group companies included in the consolidated accounts, and where they sit in relation to the regulatory ring-fence.



Financial performance

The Financial Statements on pages 99 to 141 have been prepared on a consolidated historical cost basis for the NWL Group under International Financial Reporting Standards (IFRS). The Company Financial Statements on pages 151 to 173 have been prepared in accordance with Financial Reporting Standard (FRS) 101, reflecting IFRS with reduced disclosures.

The Group has identified overstatements in the accrued accretion charges for the index-linked arrangements of certain borrowings in previous financial statements. The Group's financial performance and position, net debt and cash flows have not been adversely impacted. As a result, the Group has restated finance costs in the consolidated income statement and non-current liabilities and reserves in the consolidated balance sheet. Comparative information has been restated in the consolidated income statement and balance sheet (see note 28).

The Group's consolidated income statement, statement of comprehensive income, balance sheet, statement of changes in equity and cash flow statement are set out on pages 99 to 102. The key accounting policies are summarised in note 1 to the Financial Statements on pages 103 to 107. The following financial commentary relates to the consolidated financial statements.

The financial KPIs we report in our balanced scorecard on page 21 reflect the financial covenants underpinning our committed bank facilities and regulatory gearing, which are reported at each Board meeting. The gearing metrics are a measure of debt to Regulatory Capital Value (RCV). The financial covenant gearing and interest cover KPIs remained better than the target for the year. Regulatory gearing has risen to 72.4%, above the target of around 70%, but is expected to reduce back to target over the next year.

Revenue was £1,017.2m for the year ended 31 March 2025 (31 March 2024: £918.9m), an increase of £98.3m. (See note 2 to the Financial Statements). This mainly related to an increase of £89m in combined household and non-household revenue, which included the impact of the redetermination of the FD by the CMA and 3.5% CPIH inflation on wholesale revenue.

Operating costs, including capital maintenance costs, for the year ended 31 March 2025 were £726.3m (31 March 2024: £685.7m), an increase of £40.6m. (See note 3 to the Financial Statements). This includes a provision of £2m for additional 'Branch Out Fund' costs in respect of the undertakings provided to Ofwat arising from its wastewater investigation (see note 18).

The most significant area of increase related to employee costs, reflecting growth in employee numbers and inflationary salary increases, and increased EA charges for abstraction and discharge permits. In addition to other inflationary cost increases, depreciation charges have increased reflecting the ongoing level of capital investment.

The Group operates an Energy Hedging Strategy to manage future energy cost volatility. The Group's policy is to fully hedge its energy exposure up to two years ahead through a combination of forward purchases and a wind power purchase price agreement. Energy costs fell significantly during the year. The prior year still included hedges locked in during the period of extremely high market rates, whereas costs in the current year reflected the fall in market rates.

Operating profit, or Earnings before interest and tax (EBIT), was £290.9m for the year ended 31 March 2025 (31 March 2024: £233.2m).

Net interest payable was £177.2m in the year ended 31 March 2025 (31 March 2024 (restated): £210.2m), a reduction of £33.0m. This was primarily due to lower accretion on index-linked bonds and swaps as inflation fell during the year, though it still remained higher than average levels over the past 30 years. Interest charges on loans increased reflecting new borrowings raised in the year to finance the growth in the capital investment programme. See note 7 to the Financial Statements for further detail.

This resulted in a profit before tax of £113.7m for the year ended 31 March 2025 (31 March 2024 (restated): £23.0m).

There was a net tax charge to the consolidated income statement of £29.4m (31 March 2024 (restated): £6.5m), mainly due to movements in deferred tax liabilities. Further details are provided in note 8 to the Financial Statements on pages 112 to 114.

The Board's dividend policy recognises the Company's commitments to various stakeholders including customers, employees and investors, and takes account of performance for customers and the environment, as well as longer term financial resilience and the underlying risk profile of the business.

During the year, the Board approved payment of a final dividend of £40.4m for the year ended 31 March 2024. No dividends have been proposed, approved or paid in respect of the year ended 31 March 2025. In deciding this, the Board has taken into account performance for customers and the environment, including the level of totex compared to regulatory allowances, and the need to retain financial resilience in order to be able to deliver the Company's Business Plan commitments for stakeholders. More information is provided in note 9 to the Financial Statements.

Capital investment

Total fixed asset additions in the year ended 31 March 2025 were £606.6m (31 March 2024: £466.0m), including intangible assets, an increase of £140.6m. This reflected the completion of AMP7 obligations and initiation of AMP8 investment to accelerate delivery timelines. Around £307m of this investment related to maintaining the health of our assets to ensure the continued provision of sustainable water and wastewater services in the areas we serve, as well as supporting growth from developers in our areas.

We substantially completed our AMP7 enhancement programme. This included several water resilience projects including the first phase of a pipeline from Tees Valley to central Durham, creating additional capacity in Suffolk, construction of a new service reservoir in the Sunderland area and a new interconnecting pipeline in Essex. We have also continued to invest to improve the resilience of our wastewater assets, as well as cyber resilience and smart metering. More detail is provided on this in our APR.

Our PR24 FD confirmed that we will be delivering a significant increase in capital investment in AMP8, more than double that delivered in AMP7. In order to enable us to successfully deliver this scale of programme, we have created our Living Water Enterprise with 12 lead partners aligned to our goals and behaviours. Alongside this we have established a wider 'ecosystem' of over 80 partners to support shorter cycle and lower complexity work and increased our internal capability and capacity following an extensive workforce planning programme (see case study on page 43).

Our early start investments have included the acceleration of five schemes requested by Defra, four related to improving water resilience in our Suffolk operating area and one to reducing storm overflow spills in the Berwick area in Northumberland. In addition, we have initiated the design of a number of environmental projects to reduce storm overflows, remove phosphates and tackle flooding risk.

Capital structure and liquidity

In October 2022, the Group established a £6bn European Medium Term Note (EMTN) programme enabling more regular and efficient issuance of bonds. In March 2024, the Group issued under the EMTN, through its financing subsidiary NWF plc, £250m of fixed rate bonds, with a 13½ year tenor, and £100m on CPI-linked bonds, with a 15 year tenor, the funds being received in April 2024.

In March 2025, the Group issued two £50m taps against bonds under the EMTN through NWF plc, the proceeds of which were received in the year. After the balance sheet date, a further £90m private placement was issued under the EMTN. As a result, the EMTN has remaining capacity of £4.7bn. An additional £50m fixed term loan was also signed after the balance sheet date, which was undrawn at the date of publishing this report.

The Group's long-term debt structure therefore remained largely unchanged with 62% fixed at an average rate of 4.44%, 34% index-linked at an average real rate of 1.6% and 4% on a variable rate basis, after allowing for hedging instruments. The blended average nominal rate for the Company for the year ended 31 March 2025 was 4.72%.

At the balance sheet date, the Group had a committed bank facility of £450m for the purpose of maintaining general liquidity, maturing December 2025. At 31 March 2025, £375m of this facility was undrawn (31 March 2024: £355m). In addition, at 31 March 2025 the Group had a short-term working capital loan from NWGL, its parent company, of £40.0m (31 March 2024: £58.5m). Following receipt of the funds from the bond taps and private placement, both the bank facility and working capital loan were repaid in full.

After the balance sheet date, the committed facilities were renewed for a value of £500m (with capacity to increase to £600m) maturing in April 2028, with options to extend to April 2030.

Our RCV, on which our allowed regulatory revenue is based, increased to £5,805m at 31 March 2025, from £5,442.7m at 31 March 2024, reflecting growth from CPIH and RPI indexation and PR19 reconciliation adjustments determined as part of the PR24 FD, including the wholesale totex cost sharing mechanism.

The Group gearing (excluding Kielder debt), which is measured per the financial covenant for the committed facility, increased from 70.0% to 71.4%, remaining well within the covenant target of 77.5%. Regulatory gearing increased from 70.2% to 72.4%, above our target level of 70%. The interest cover ratio improved from 2.9x to 3.0x.

The Group has maintained its strong investment grade credit ratings. Moody's affirmed its long-term issuer rating of Baa1, with a negative outlook, in March 2025. Fitch affirmed its senior unsecured debt rating of BBB+ in March 2025, revising its outlook to negative. The negative outlooks are due to the uncertainty of the CMA process and the timing of potential equity injections. We report on our financial resilience in our viability statement on pages 92 to 96.

Treasury policies

The Board is responsible for the financing strategy of the Group which is determined within treasury policies set by NWGL. The treasury policies set out how the risks associated with treasury activities are managed, which are summarised below. On occasion, derivatives are used as part of this process, but the treasury policy prohibits their use for speculation.

Funding risk

The level of capital expenditure which NWL is obliged to incur is such that we cannot be wholly cash financed by internally generated sources. As a result, we must rely upon raising additional finance on a regular basis, to be principally used to fund the long-term assets required by the regulated business. In order to raise this finance efficiently, the Board's aim is to retain prudent investment grade credit ratings. A reduction in the credit rating may restrict future sources of funding, increasing the associated cost of new borrowing.

Liquidity risk

The Group's policy is to have available standby committed bank borrowing facilities with a value of no less than £50m and with a bank agreement availability period of no less than three months. At 31 March 2025, NWL had £375m (31 March 2024: £355m) of undrawn bank facilities. After the balance sheet date, the bank facilities were renewed with a value of £500m provided by a group of five key relationship banks, maturing in April 2028, with options to extend to April 2030.

Interest rate risk

The Group finances its operations through a mixture of retained profits and borrowings. It borrows at both fixed and variable rates of interest and, on occasion, uses derivatives to generate the desired interest profile and to manage its exposure to interest rate fluctuations. The Group's policy is to keep a minimum 50% of its borrowings at fixed rates of interest. At 31 March 2025, 62% (31 March 2024: 60%) of the borrowings of the Group were at fixed rates of interest. Index-linked borrowings are treated as variable rate debt.

Credit risk

The Group invests surplus cash with banks on a short-term basis. The treasury policy specifies which counterparties the Group can invest with and sets a limit for the maximum exposure to each counterparty. These limits take account of published credit ratings. There is no material customer credit risk as no individual customer accounts for a significant proportion of income or debt. Note 1(p) of the Financial Statements sets out the Group's bad debt policy.

Foreign currency risk

The Group's policy is that any foreign currency exposure in excess of £100,000 sterling equivalent of a transactional nature, or £3m sterling equivalent of a translation nature, should be covered as soon as they are identified. At 31 March 2025, the Group had forward foreign exchange contracts of £2.2m (31 March 2024: £4.2m) for the purpose of hedging the foreign currency risk of committed future purchases (see note 20).

Market price risk

The Group's exposure to market price risk principally comprises interest rate exposure. The Group's policy is to accept a degree of interest rate risk. Based on the Group's analysis, it is estimated that a 1% rise in interest rates would not have a significant effect.

Risk report

Risk Management Framework

The Board sets the tone for risk management within the Company, supported by the R&CSC, and determines the appropriate risk appetite. The Board's view of acceptable risk is based on a balanced view of all of the risks in the operating environment and it aims to ensure an appropriate balance between risk aversion and opportunities. The Board's approach to monitoring, managing and mitigating risk, and the work undertaken by the R&CSC during the year, is set out in the Governance Report.

The ELT implements policies on risk management and internal control, ensuring that risks are appropriately controlled, managed and reported and that remedial action is taken as appropriate. The Company's approach to risk management is set out in our Risk Management Framework, which has been endorsed by the R&CSC, and is managed through a corporate risk model.

Climate-related risks, as described in our Climate-related financial disclosures on pages 31 to 39, are integrated into the Risk Management Framework. The newly-formed ESG Committee has a specific focus on climate-related risks.

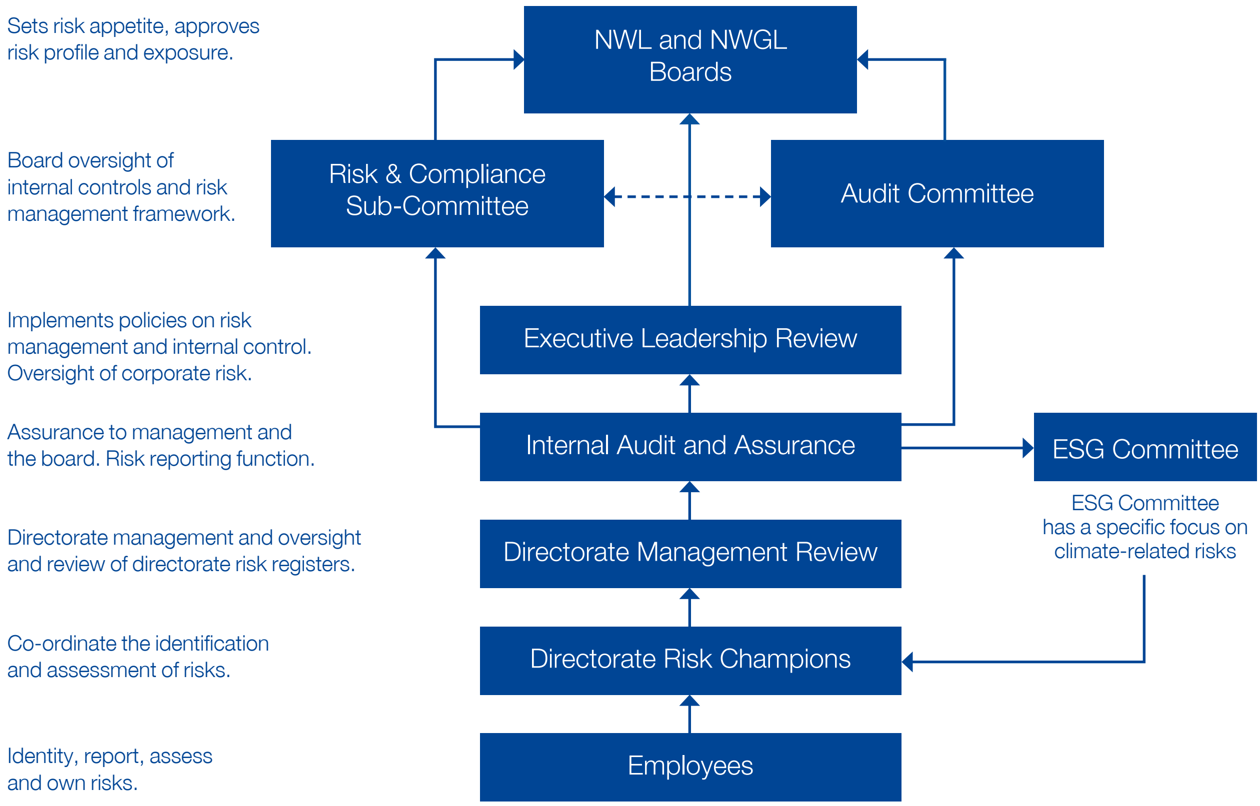
The diagram below describes the overall approach to risk management and responsibilities of various groups within the process.

The Risk Management Framework sets out our process for identifying, analysing and evaluating risk across the business. Risk champions within each area of the business co-ordinate the identification and assessment of risks for their area of responsibility and record these in a departmental risk register. Risk champions meet on a quarterly basis to share learning and ensure consistency of approach.

Each risk is assessed against defined likelihood and consequence criteria on both an unmanaged and managed basis, producing a risk score. The management controls and responsibilities are documented and the effectiveness of the control assessed. An assurance map details the external and internal assurance provided over the controls. We also set a target risk and, where this is below the current managed risk score, set out an action plan to achieve the desired risk reduction.

Those risks in the departmental risk registers with a managed risk score above a defined threshold are classed as 'significant risks' and are reported in the Corporate Risk Register. This is reviewed monthly by the ELT and at each meeting of the R&CSC.

We define emerging risks as those which are foreseeable, but not with sufficient clarity to be assessed within the corporate risk model. These are captured in an Emerging Risk Register and a sub-group of the Board carries out a review of these risks annually, most recently in November 2024. These risks are also reported to the R&CSC at each of their meetings and can be amended throughout the year.



Principal Risks and Uncertainties

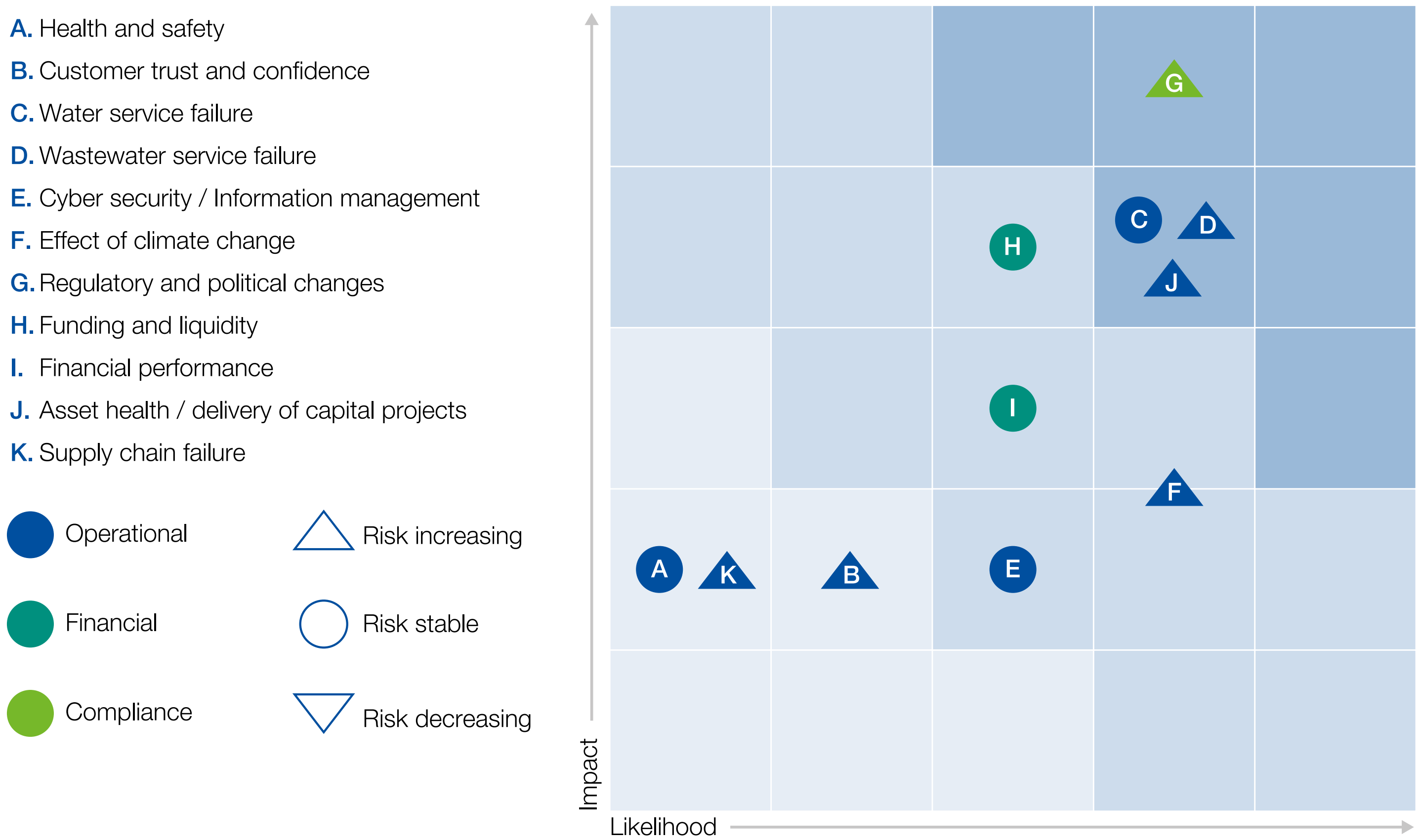
The R&CSC, on behalf of the Board, carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity, taking account of both the highest rated risks on our Corporate Risk Register and the Strategic Risk Register.

The conclusions of this assessment are summarised on the heat map below. This shows the current exposure of each of the principal risks and an indication of whether the risk is increasing, stable or reducing.

The table on pages 55 to 59 then describes each of the principal risks in more detail, along with our approach to mitigating these risks. The risks are not set out in order of priority. These principal risks have also been considered in our assessment of financial resilience, as set out in our viability statement on pages 92 to 96.

The Board, based on the work of the R&CSC, decided that the Principal Risks remained the same as the prior year, albeit the description and mitigation of the risks has been updated.

A. Health and safety
B. Customer trust and confidence
C. Water service failure
D. Wastewater service failure
E. Cyber security / Information management
F. Effect of climate change
G. Regulatory and political changes
H. Funding and liquidity
I. Financial performance
J. Asset health / delivery of capital projects
K. Supply chain failure



Operational Risks

Description of risk	Mitigation	Risk Environment
Health and safety The nature of our operational and construction workplaces means that there is a significant inherent risk to the health and safety of our people and supply chain of which we are acutely conscious. There is also an inherent risk that members of the public gain unauthorised access to sites such as reservoirs, placing themselves at risk. Our workplaces are healthy and safe.	The health and safety of our staff, contractors and members of the public is our highest priority. Health and safety matters are given a high priority at all meetings of our ELT and Board. Long-term planning and targets are set to drive continuous improvement. This is underpinned by our focus on improving behavioural safety and creating a great safety culture. Our health and safety management system defines clear arrangements and responsibilities throughout the Company. This is supported by a programme of leader safety visits, compliance audits, training and safety awareness tools. All accidents and incidents are investigated and follow up actions tracked. Security fencing and warning signage is in place where appropriate.	Risk is stable with strong safety culture in place. Focus on continuous improvement.
Customer and stakeholder trust and confidence Our customers are at the heart of everything we do and failure to deliver our commitments to customers and the environment, or negative media coverage resulting in a poor public perception of our reputation, could damage the trust and confidence of customers and other stakeholders. Significant public and media attention on the impact of our sector on the water environment, including storm overflows, has an adverse impact on our reputation. Our customers tell us we provide excellent customer service and resolve issues quickly. Our customers say we are a company they trust. Our customers say our services are good value for money and we work hard to keep water and wastewater services affordable for all.	Our focus on getting things right first time, quickly, every time supports our commitment to delivering a world class service. This includes ongoing investment in our people and in our customer facing systems and the digital experience we offer to our customers. We continue to improve our support for customers in vulnerable circumstances, through our Inclusivity Strategy, StepChange partnership and range of financial support arrangements. We are committed to eradicating water poverty across our supply areas. We have set out nine pledges in A Vision for our Coasts and Rivers and are reporting our progress against them.	Risk environment is increasing due to the significant public and media attention on storm overflows and pollution.
Water service failure A problem in our water system could cause either a major loss of supply or for unfit water to be supplied. This could have many potential causes, including extreme weather events, the failure of a strategic water main or treatment works, loss of power supply or contamination of a service reservoir. The increase of micro plastics pollution is an increasing concern. We always provide a reliable supply of water. Our drinking water is clean, clear and tastes good.	We have well developed business continuity plans in place for managing incidents, down to a site-specific level. These are regularly tested. We restrict access to our treated water network through authorisation and physical security measures. We are taking steps to understand the impact of micro plastic pollution in the water environment. Our long-term planning, as set out in the WRMP, aims to address long-term supply/demand challenges.	Risk stable with continued focus on improving water quality and understanding the impact of micro plastic pollution.

Description of risk	Mitigation	Risk Enviroment
Wastewater service failure A problem in our wastewater system could cause either significant environmental pollution or flooding of customer properties. This could have many potential causes, including insufficient network capacity to cope with severe weather events, amid changing weather patterns, the failure of a strategic wastewater asset, misconnected properties and the consequences of sewer blockages or collapses. The increase of micro plastics pollution in the environment is an increasing concern. Our sewerage service deals with sewage and heavy rainfall effectively.	We have set out nine pledges in A Vision for our Coasts and Rivers and are reporting our progress against them. We continue to invest heavily in preventing pollution and sewer flooding and have a pollution management programme with multiple workstreams to tackle the root causes. We engage with our customers and local communities to deliver sustainable solutions. We are also investing significantly in proactive maintenance and cleaning of the network, real time monitoring and analysis, flooding mitigation and investment to increase network capacity. Our long-term planning, is set out in our DWMP.	Risk environment is increasing due to the continued focus on storm overflows, pollution and flooding.
Supply chain failure Risk of supply chain disruption because of people shortages following economic upheaval over recent years, impacting on the availability and price of key commodities. Significant increase in demand for supply chain resource across the sector to deliver step change in AMP8 capital investment. We are resilient and provide clean drinking water and effective sewerage services, now and for future generations. We always provide a reliable supply of water.	In the short term, the most significant risk relates to availability of chemicals. We manage this risk collectively across the UK water sector and monitor supply issues. In response to the anticipated scale of the AMP8 investment programme, we have created our Living Water Enterprise, with 12 lead partners to deliver longer cycle and higher complexity projects, and increased the number of other framework partners to over 80 to support shorter cycle and lower complexity work.	Risk environment increasing due to the scale of AMP8 capital investment across the sector placing increased demands on the capital supply chain.
Asset health deterioration Insufficient funding for asset maintenance investment over previous decades impacts on asset health and performance. Inadequate information about our asset base may result in sub-optimal investment decision-making leading to deterioration in asset health and service performance. We are resilient and provide clean drinking water and effective sewerage services, now and for future generations.	We are ISO 55001 (Asset Management) certified on a company-wide basis and follow best practice in the long-term management of our assets with outcome-based strategic planning. We are investing in improving our understanding of long term asset health to improve investment decision making and prioritisation. Our Asset Management Investment Board is overseeing a prioritised asset health inspection plan. We are continuing to make our case for additional asset health investment at the CMA. We will engage with Ofwat's Roadmap for enhancing Asset Health understanding.	Risk environment is increasing due to insufficient funding allowances for asset health investment over time.

Description of risk	Mitigation	Risk Enviroment
Effect of climate change In the short term, climate change may cause more volatile weather conditions which could impact on customer service through disrupting water supply or causing sewer flooding. Over the longer term, climate change could impact on the resilience of water resources and the integrity of our assets. This may be exacerbated by growing population and ongoing urbanisation. Climate-related risks are described in more detail in our Climate-related financial disclosures on pages 31 to 39. We are resilient and provide clean drinking water and effective sewerage services; now, and for future generations. We take care to protect and improve the environment in everything we do, leading by example.	Our approach to mitigating short-term risks of service failures on our water and wastewater businesses are set out in the risks above. We consider the longer-term impacts of climate change in our long-term planning, such as our WRMP and DWMPs, and identify long term solutions to future potential resilience issues well in advance. Our Environment Strategy sets out our priorities for effective climate action alongside our Emissions Possible plan to achieve net zero and our Climate Adaptation Report to show how we will adapt out operations and infrastructure. The newly-formed ESG Committee has a specific focus on climate-related risks. Whilst management acknowledges the risks posed by climate change, they have assessed that there is no quantitatively material impact arising from climate change on the judgements and estimates made in the Financial Statements for the year ended 31 March 2025.	Risk environment increasing over both the short term, from extreme weather events, and the long term impacts on resources and assets.

Compliance Risks

Description of risk	Mitigation	Risk Enviroment
Cyber security / Information management Key business systems could be lost as a result of a malicious attack or failure of cyber security. Sensitive data could be released in breach of the Data Protection Act, General Data Protection Regulation (GDPR) or Environmental Information Regulations (EIR). May not comply with obligations under the Networks & Information Systems Directive. Our customers say we are a company they trust.	Our Information Security policy sets out our commitment to the continuous improvement of information security controls and culture throughout the business. This is delivered through software and hardware access controls, additional web-based security and clear policies and procedures and user awareness. We successfully delivered our enhanced cyber resilience strategy in AMP7, including 24/7 Security Operations Centre, monitoring, enhanced anomaly detection, privilege access management and next generation security tools. We are now commencing our AMP8 programme. Data is protected through access controls, laptop encryption and awareness briefings. A ten-point data protection action plan has been developed to further mitigate the risks.	Risk environment remains high due to global cyber threats, though mitigated by continued investment in enhanced security.
Regulatory and political changes There has been an increasing trend in regulatory interventions with changes to the Licence and regulatory methodology. An inconsistent and unpredictable approach undermines investor confidence in the stability and predictability of the regulatory framework. Independent Commission on the water sector regulatory system could recommend wide ranging changes. Increasing demands and expectations from all industry regulators, particularly around environmental compliance. Our finances are sound, stable and achieve a fair balance between customers and investors.	We engage in robust dialogue with regulators and others on policy and rules to try to prevent unintended consequences or constraints on our ability to manage our assets and deliver our services. We continue to engage with all political stakeholders, both directly and through Water UK, to ensure that any debate is well-informed. We have actively engaged with the Commission led by Sir John Cunliffe. We engage actively with all regulators, including Ofwat, DWI and EA.	Risk environment remains high due to public scrutiny of the regulatory system and increasing regulatory intervention introducing uncertainty.

Financial Risks

Description of risk	Mitigation	Risk Enviroment
Funding and liquidity risk A key funding risk would be an inability to access future funding at acceptable rates due to market uncertainty. Future borrowing costs could increase as a result of a credit rating downgrade. Liquidity risk could arise due to breaching financial covenants on committed facilities. Scale of AMP8 programme will increase funding requirements significantly. Our finances are sound, stable and achieve a fair balance between customers and investors.	The Board has an approved Treasury Strategy which sets out a framework to meet funding needs over the next five years and the Group has established a £6bn EMTN programme, of which £1.3bn has been utilised to date, enabling more regular and frequent issuance of bonds. This is supported by treasury policies which set out how we manage treasury risks (see page 52). Board approved plan to raise an additional £500m debt in 2025. Short term working capital funding is supported by £500m of standby committed borrowing facilities. We are committed to maintaining our investment grade credit ratings and manage our financial plans accordingly. Our viability statement on pages 92 to 96 reports on the financial resilience of our plan over a ten year time horizon.	Risk environment increasing due to market uncertainty around Thames Water and reduced regulatory stability. This is exacerbated by the scale of funding required for AMP8 capital investment across the sector.
Financial performance A failure to deliver our financial plans could impact on expected shareholder returns. This could result from significant adverse movements on costs, interest or tax or a failure to deliver efficiency commitments. A sustained period of low inflation could depress RCV, increasing gearing. Our finances are sound, stable and achieve a fair balance between customers and investors.	We are implementing a range of efficiency actions for both operating and capital expenditure and progress is reported monthly to ELT. We maintain more than 50% of our borrowings on fixed rates, providing certainty. Energy prices have stabilised and we have increased our forward hedging of power. Our viability statement on pages 92 to 96 reports on the financial resilience of our plan over a ten year time horizon.	Risk stable, though delivery of AMP8 performance targets within funding allowance is challenging.

Approved by the Board and signed on its behalf:

H Mottram CEO
14 July 2025

Governance Report

Chairman’s Introduction

The Board recognises that it is a privilege to be entrusted with providing essential services to millions of customers in NWL’s operating areas each and every day. With this comes a series of important responsibilities to our communities and the environment, as well as the opportunity to contribute positively to them. We are a large employer in our operating regions, a buyer of goods and services, and have significant influence as an ‘anchor institution’.

On pages 67 to 70 below, we explain how we meet the four high-level objectives Ofwat expects regulated companies to deliver under its principles for board leadership, transparency and governance. The Board has agreed that it would also be appropriate to report compliance with the Wates Corporate Governance Principles for Large Private Companies (the Wates Principles), and that our standards of corporate governance should remain at least as high as in previous years and higher wherever appropriate.

As a private company with NWL’s ownership structure, we believe it is consistent with good corporate governance for there to be significant shareholder representation on the Board, including the Chairmanship. We also accept that there needs to be an appropriate balance and as such our Board consists of five Independent Non-Executive Directors (INEDs), four Non-Executive Directors (NEDs), including me as Chairman, and one Executive Director (being the CEO), this continues to ensure that INEDs remain the largest single group on the Board.

The INEDs play a very significant role in the functioning of the Company and are instrumental in all aspects of the Board’s work, taking a leading role on the various Committees, which the Board relies on. The Committees are led by the INEDs (within agreed parameters) and handle a significant volume of important work and present options and proposals to the Board.

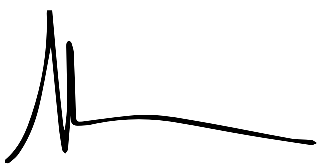
The INEDs are highly experienced, capable and independently minded people with a diverse range of relevant experience and talents. Working with the other NEDs, they scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. We believe our current governance arrangements, with strong INED leadership, ensure that there is always sufficient independent membership and judgement on the Board, further supporting the Board and its Committees in making high quality decisions that address diverse customer and stakeholder needs.

The Board functions as an integrated whole. All Directors have the same legal responsibilities and each Director understands his or her individual responsibility to act in the best interests of the Company, as well as the importance of the service provided to our customers and our environmental responsibilities.

All Directors play a full part in Board meetings and shape the Company’s strategy, as well as ensuring that customers’ interests are fully considered in any investment and operational decisions. The composition of the Board ensures a sound balance of experience, knowledge and independence and that decision making is not dominated by any single group.

Alan Bryce, our Senior INED, sets out in his report (on page 62) how the INEDs are fully involved in all the main aspects of NWL’s governance and, throughout the year, were invited to all the Board meetings of our holding company, NWGL (except in relation to NHH retail business).

In practice, the Company complies with the 2019 Ofwat Objectives and, with very few exceptions, the supporting Provisions. The effective arrangements, which the Board and its Committees have in place to ensure such compliance, are explained in some detail below in the Corporate Governance Report (on pages 63 to 89).



A J Hunter
Chairman

Senior independent non-executive director's report

As Senior Independent Non-Executive Director (SINED) I am pleased to be able to describe the continuing role of NWL's INEDs, and the key role played by the INEDs in the Board Committees and Sub-committees.

I am happy to endorse the Chairman's explanation of the key role which the INEDs continue to play in NWL's governance, assurance and decision making. Fellow INED, Richard Sexton, chairs the Audit Committee (AC) and the R&CSC, and fellow INED, Professor Jacqueline McGlade, chairs the Environment, Social and Governance Committee (ESGC). As and when required, the Board constitutes a sub-group of members, including INEDs, to conduct detailed work on specific areas and to scrutinise and inform recommendations made to the full Board, chaired by me or by a fellow INED. INEDs sit on all sub-groups and committees and are in the majority on the Audit Committee, the Risk & Compliance Sub-Committee, the Remuneration Committee and the Nomination Committee.

We are therefore fully involved in all the main aspects of NWL's governance and the Board is satisfied that this enables it to ensure that sound governance is maintained.

Although the INEDs are not members of the NWGL Board, we have again been present at its Board meetings this year, which has continued to encourage a cohesive approach at both NWGL and NWL Board level and given us full transparency. However, in order to maintain proper governance in relation to the NHH market (the 'level playing field') we have not received papers relating to the NHH retail market or been present when that has been under discussion by the NWGL Board.

All INEDs have continued to take part in extensive sessions with management on business risk and PR24 planning. In particular during the year, the INEDs were able to draw on their broad and diverse experience, to provide support and challenge in the preparation of our plan for delivery of our PR24 Business Plan and to oversee the performance of the Company. The involvement of INEDS in the ESGC ensures that environmental and social considerations are embedded across NWL and that the Company is run ethically and transparently. We have also met from time to time without management or the other Directors being present (with and without the Company's auditors) and have attended a number of other events relating to the water sector, including non-executive director events hosted by Ofwat. Beyond the formal work of the Board and its various committees, we have also continued to develop a broader insight into the work of the Company through other meetings and events.

In conclusion, the INEDs as a group believe that the Board and its Committees and Sub-committees have sufficient independent membership. I am confident that the INEDs do, through their leading role in the Committees, continue to exert significant influence in setting the direction which the Board takes in all key areas of strategy and business planning, monitoring, governance and reporting.

Alan A Bryce

A A Bryce
Senior Independent Non-Executive Director

Corporate Governance

Board membership

A J Hunter (Non-Executive Chairman) joined the Board in October 2011. Mr Hunter is Deputy Managing Director of CKI, which is listed on The Hong Kong Stock Exchange and the London Stock Exchange is a substantial shareholder in the NWGL Group. Mr Hunter is also an Executive Director of CK Hutchison Holdings Limited and Chairman of Power Assets Holdings Limited, both of which are listed companies. He has been an Executive Director of CKI since December 2006 and Deputy Managing Director since May 2010. Mr Hunter acted as the Chief Operating Officer of CKI from December 2006 to May 2010. Prior to his appointment to the board of Power Assets Holdings Limited in 1999, Mr Hunter was Finance Director of the Hutchison Property Group. He holds a Master of Arts degree, a Masters degree in Business Administration and is a member of the Institute of Chartered Accountants of Scotland and of the Hong Kong Institute of Certified Public Accountants. Mr Hunter chairs the Remuneration and Nomination Committees.

Key strengths: Leadership, strategic overview, finance and infrastructure.

H L Kam (Non-Executive Director) joined the Board in October 2011, having been appointed by CKH, a wholly-owned subsidiary of CK Hutchison Holdings Limited of which he is the Deputy Managing Director. Mr Kam is also Group Managing Director of CKI, a position he has held since its incorporation in May 1996. He is the Deputy Managing Director of CK Asset Holdings Ltd., President of CK Life Sciences Int'l. (Holdings) Inc., as well as Chairman of Hui Xian Asset Management Limited, which manages Hui Xian Real Estate Investment Trust, a listed real estate investment trust. Mr Kam holds a Bachelor of Science degree in Engineering and a Masters degree in Business Administration.

Key strengths: Leadership, strategic overview, finance and infrastructure.

A A Bryce (Senior Independent Non-Executive Director) joined the Board in April 2021. Mr Bryce was, until 2009, Managing Director of ScottishPower Energy Networks, and before that Managing Director of ScottishPower Generation. He is a Non-Executive Director of Northern Ireland Electricity Networks. He was formerly a Non-Executive director of Jersey Electricity plc until 2024, Scottish Water, Infinis Energy plc, and Chair of Viking Energy Shetland. As an advisor in the utilities industry, Mr Bryce served on Ofgem's Network Innovation Competition Expert Panel and the RIIO-2 Customer Challenge Group. He is a member of the AC, R&CSC, ESGC, and Remuneration and Nomination Committees and has a special focus on the Group's workforce and culture and its activities in the North East of England.

Key strengths: Utilities, engineering and asset management and strategy.

L S Chan (Non-Executive Director) joined the Board in 2016. He has been an Executive Director of CKI since January 2011 and Chief Financial Officer of CKI since January 2006, and a member of the Executive Committee of CKI since April 2005. Mr Chan is also an Executive Director of Power Assets Holdings Limited, HK Electric Investments Manager Limited as the trustee-manager of HK Electric Investments, and HK Electric Investments Limited. Mr Chan joined the CK Group in January 1992. Mr Chan is a fellow of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants and also a member of the Institute of Certified Management Accountants (Australia). He is a member of the AC.

Key strengths: Finance, infrastructure and corporate overview.

Board membership

D N Macrae (Non-Executive Director) joined the Board in October 2011, and represents CKI, where he holds the position of Head of International Business. Mr Macrae has many years' experience in the infrastructure investment field and holds a Bachelor's degree and a Master's degree in Philosophy, Politics & Economics. He is a member of the Remuneration Committee and Nomination Committee.

Key strengths: Finance, infrastructure and corporate overview.

Prof J McGlade (Independent Non-Executive Director) joined the Board in July 2021. A natural scientist by training, Prof McGlade is qualified in both the UK and Canada and is recognised globally as a leading researcher in climate change, natural capital and carbon sequestration. Prof McGlade is currently at University College London and Strathmore Business School and is a co-founder and shareholder of Downforce Technologies, a start-up for natural capital analytics. Prior to this, she was appointed as UN Environment Chief Scientist and Global Director of Science 2013-2017 and Executive Director of the European Environment Agency 2003-2013, where she was responsible for 32 EU, EEA and Associate member states' data, reporting and assessment on the environment and major sectors. Earlier posts include Director of UK Natural Environment Research Council Centre for Coastal and Marine Science, Professor at Warwick University, Director Ecosystems Modelling Institute German Federal Government, and Senior Research Scientist Federal Government of Canada. Prof McGlade was a Board Member of the Environment Agency England and Wales from 1998-2003, and in 2020 was appointed a member of Essex County Council's Climate Action Commission. She is a member of the AC and R&CSC, is chair of the ESG Committee and has a special focus on the Group's environmental performance and its activities in Essex and Suffolk.

Key strengths: Water and climate sciences, environmental technologies and R&D, conservation and environmental policy.

H Mottram (CEO) joined the Board in 2010, when she was appointed as CEO of NWL and NWGL. Ms Mottram is a Non-Executive Director of Centrica plc and was named North East Business Executive of the Year in 2017 recognising her significant contribution to business in the North East of England. She was awarded an OBE in 2010 for services to the rail industry and a CBE in 2018 for services to the water industry and business community.

Key strengths: Leadership, corporate overview, infrastructure and customer service.

B C Rosewell (Independent Non-Executive Director) joined the Board in April 2021. Ms Rosewell is an economist by background, with a track record in advising public and private sector clients on key strategic issues. She is Chair of Flood Re and of the M6 Toll Company, and Chair of Audit and Risk for the National Wealth Fund. She is a founder and Senior Adviser of Volterra Partners a Director of AWE and a Senior Associate for Prysm Global. Ms Rosewell has been Senior Independent Director for Network Rail, Chair of Risk for Ulster Bank and Chief Economic Adviser to the Greater London Authority. Ms Rosewell was appointed CBE in December 2018 and is also a Fellow of the Institution of Civil Engineers, the Academy of Social Science and the Society of Professional Economists. Ms Rosewell is a member of the AC, R&CSC and the ESG, Remuneration and Nomination Committees and has a special focus on the Group's activities in the North East of England.

Key strengths: Strategic leadership, economics, risk and infrastructure.

Board membership

R G Sexton (Independent Non-Executive Director) joined the Board in April 2021. Mr Sexton is a Fellow of the Institute of Chartered Accountants and was a partner in PricewaterhouseCoopers LLP (PwC) from 1992 until 2018, where he was lead partner on a diverse range of FTSE 100 and Fortune 500 clients. He also held a number of senior management roles in PwC including Vice Chairman, Global Assurance from 2013 to 2018. In January 2024, Mr Sexton became a trustee of the International Financial Reporting Standards Foundation where he chairs the Budget and Funding Committee and sits on the Strategy, Audit and Risk and Nomination Committees. In February 2022, Mr Sexton joined the Board of Our Future Health and sits on the Nomination and Remuneration Committees and is Chair of the Audit and Risk Committee. He is Chair of the AC and R&CSC and has a special focus on the Group's activities in Essex and Suffolk.

Key strengths: Finance, risk and corporate governance.

P Vicary-Smith (Independent Non-Executive Director) joined the Board in July 2021. Mr Vicary-Smith was for 14 years the Chief Executive of the consumer organisation Which?. Prior to that his background was in marketing, and included roles as a strategy consultant at McKinsey, leading fundraising for Oxfam, and as Commercial Director at Cancer Research UK. He is Chair of Oxford Brookes University and of the BMJ Publishing Group and advises both established companies and digital start-ups on engaging with their customers and putting their customers' needs front and centre of decision-making. He is a member of the AC, R&CSC and Remuneration and Nomination Committees and has a special focus on the Group's customers.

Key strengths: Customer engagement, strategy and corporate governance.

Members of the Board and attendance at Board meetings

There were six scheduled meetings during the year ended 31 March 2025. The Board considered this sufficient to enable it to discharge its duties effectively and met out of the agreed cycle for time-critical matters or significant matters that arose as necessary.

Membership of the Board and attendance at the five scheduled meetings during the year was as follows:

Name	Attendance
A J Hunter	6
A A Bryce	6
L S Chan	6
H L Kam (or his alternate)*	6
D N Macrae	5
J M McGlade	5
H Mottram	6
B C Rosewell	5
R G Sexton	5
P D Vicary-Smith	5

(*W C Tong Barnes and C Ng acted as alternate for H L Kam)

Corporate governance statement

The Boards of the Group and its holding company, NWGL, are committed to high standards of corporate governance. Ofwat has embedded the 2019 Ofwat Objectives in the Company's Licence, to ensure that governance is sound and that the Company's Directors, acting as such, do so independently of its parent companies.

The arrangements and functioning of the Board, its Committees, Sub-committees and Sub-groups adhere to the Wates Principles and the 2019 Ofwat Objectives, with the latter being subject to the minor exceptions explained below. As set out above, at 31 March 2025, and at the date of this Report, there were five INEDs, a further four NEDs, including the Chairman, and one Executive Director (being the CEO). Accordingly, the INEDs constitute the largest single group on the Board.

The Chairman ensures that the Board works in a collegiate way, in the best interests of the Group and its stakeholders, and that each Director has an equal voice. All members of the Board are content that the balance of the Board is appropriate. The Directors have all been able to allocate sufficient time to the Company to discharge their responsibilities effectively.

As the Chairman says in his introduction (on page 61), the INEDs, within agreed parameters, effectively lead the work of the Committees and Sub-Committees, which hold very full meetings with considerable workloads, to prepare the ground for the Board.

There is a clear division of responsibilities between the Chairman and CEO.

Directors' and Officers' liability insurance cover for the benefit of all Directors of the Company is in place. In addition, NWGL entered into a Deed of Indemnity on 21 March 2017 to provide Directors of NWGL and its subsidiaries further protection against potential liability.

Board Leadership, Transparency and Governance – the 2019 Ofwat Objectives (and supporting Provisions)

We explain below how we meet the Objectives and supporting Provisions on board leadership, transparency and governance as published by Ofwat in January 2019.

Objective 1: The Board of the Appointee establishes the company's purpose, strategy and values, and is satisfied that these and its culture reflect the needs of all those it serves.

Our comments below on compliance with the relevant supporting Provisions explain how the Group meets this Objective:

(i) 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 service.

The Group's purpose statement (set out on page 8) has been informed by an extensive research and consultation exercise with customers, suppliers, and employees. The statement captures how NWL cares for the essential needs of our communities and the environment, now and in the future, and the positive difference it makes by investing over the long term to create a sustainable and resilient business.

There is a comprehensive and continuous programme of engagement with customers around the Group's purpose and full details are set out in the Group's APR.

This open and consultative culture is embedded in how the Group does business. It is also maintained through a very broad programme of engagement, including regular meetings at Chief Executive level with local authorities across our operating areas, and participation in regional and national business organisations. The Group also hosts site visits by MPs, civil servants, and senior regulators to encourage open and transparent debate about the challenges faced by the sector and to enable the Group to understand their respective concerns and priorities.

An annual Our Purpose report is published so that customers and stakeholders have visibility of the activities and outcomes that we are undertaking in order to achieve our Purpose.

(ii) The Board makes sure that the Company's strategy, values and culture are consistent with its purpose.

The Board has reviewed and discussed the Group's strategy, values and culture and is satisfied that these are consistent with the Group's purpose. The Board recognises that the Group's strategy needs to reflect the purpose, as well as customers' long-term priorities and to take account of Ofwat's emphasis on public value. The Group's purpose statement is designed to convey why the business exists and guide strategy and behaviours; consider the role business can play to improve society and apply this to services and customer experience.

Our Purpose statement is therefore underpinned by key principles which demonstrate that NWL:

- cares for the essential needs of our communities and environment, now and for generations to come.

We do this by:

- providing reliable and affordable water and wastewater services for our customers;
- making a positive difference by operating efficiently; and
- investing prudently, to maintain a sustainable and resilient business.

First and foremost, our core role is as a provider of water and wastewater services, which places us at the heart of our communities and our natural environment. Caring for them is always our priority.

(iii) The Board monitors and assesses values and culture to satisfy itself that behaviour throughout the business is aligned with the Company's purpose. Where it finds misalignment it takes corrective action.

The Board has received and discussed detailed feedback on an extensive employee engagement survey conducted through the Great Place to Work UK programme, which provided a comprehensive insight into the alignment of behaviour throughout the business with the Group purpose and values. The survey findings were very positive, resulting in NWL achieving a ranking in the top 40 of UK employers on an elite list of companies leading the way in creating a positive and healthy workplace environment and culture.

Although the entire Board will engage closely with the workforce, it has designated the Senior INED, Alan Bryce, to have a special focus on our people and the culture of the business. Mr Bryce meets regularly with senior management to discuss people issues, including where there is any requirement to take corrective action in the event of any identified misalignment with the Group's purpose.

The People team keeps Group policies and procedures under review to ensure that these properly reflect the Group purpose and to embed it where this is appropriate.

(iv) Annual reporting explains the Board's activities and any corrective action 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.

The Board receives detailed reports from the CEO in advance of Board meetings, covering each aspect of the Group's activities.

The Chairman leads the Board and ensures that all items on the Board agendas are discussed openly and that all Directors have an opportunity to express their views. He encourages constructive challenge, so that ideas and proposals are tested and explored fully. The Board recognises that customers' interests are best served when the Group is flexible and innovative, so the ELT is always encouraged to think laterally and consider a range of solutions for each issue.

The Board makes key strategic decisions, approves the annual budget and notes the medium-term business plans. It also approves key regulatory submissions and very significant investments or expenditure which is not in the normal course of business. Investments which form part of projects within approved business plans are authorised by the Committees below Board level.

Although this formal framework is very effective, the ELT takes great care to ensure that matters which relate to the quality of the Group's services to customers, leakage, water quality and environmental performance are discussed fully by the Board.

The Standing and Executive Committees of the Board can take decisions not delegated to specific committees between Board meetings within the parameters of applicable terms of reference. All Directors receive notice of Standing Committee meetings and may participate if they wish. Decisions taken by the Standing or Executive Committees are reported at the next Board meeting. The Company's Board meets at least five times each year.

During the year, the Board received regular detailed updates from the CEO and other members of the ELT on each aspect of the Group's work. There are also regular reports on each Board agenda on customer service, operational performance, health and safety and management of key business risks, the investment programme and regulatory matters. A safety update is provided at the commencement of every Board meeting. There is a strong focus on the Group's success in delivering its key outcomes, as explained in the Strategic Report. The Chairman of the AC, R&CSC and Sub-groups reports fully to the Board on their work. In addition, the following significant matters were considered by the Board, as a matter of sound governance:

(a) the Annual Report and Financial Statements;

(b) the annual business plan;

(c) internal governance and control framework;

(d) decisions on tariffs;

(e) approval of several significant capital projects;

(f) review of performance commitment targets and related investment priorities;

(g) environmental impact;

(h) customer satisfaction;

(i) regulatory and governmental policy developments;

(j) health, safety and security plan;

(k) transparency in Supply Chains; and

(l) establishing the ESGC.

A Board statement as detailed above is included in NWL's APR for the year ended 31 March 2025.

Objective 2: The Appointee has an effective Board with full responsibility for all aspects of the Appointee's business for the long term.

NWL clearly meets this Objective. The Board sets, implements and supports the Group's vision, values, standards and strategy and ensures compliance with policies and legal and regulatory obligations. We comment below on compliance with the relevant objectives:

(i) The regulated company sets out any matters that are reserved to 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's strategy.

Although proper regard is given to the interests of shareholders, in accordance with company law, NWL's Board has full responsibility for all aspects of the Group's business, including the freedom to set, and accountability for, all aspects of NWL's strategy.

The Group has adopted matters reserved to the Board for approval and terms of reference which set out matters which are, or can be, delegated to its Committees and Sub-committees. These are published on the Group's website.

The Group has also adopted financial approval rules which set out the authorisation processes and financial limits to be applied to financial transactions within the Group. The Board has reviewed these limits within the year and revised those levels in light of the increases volume of spend moving into AMP8. The Board reserved matters, terms of reference and financial approval rules are reviewed periodically by the Board.

Although certain limited matters (such as extensions of directors' appointments, large contract awards and significant borrowing arrangements) are referred to the NWGL Board, this is regarded as a formality. The NWGL Board accepts that it is required to have full responsibility for all aspects of the Group's business and, to that end, has never rejected a recommendation of the Board.

(ii) 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.

All the Board Committees report into the NWL Board and final decisions are made at that level.

(iii) 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 shareholdings; and ensures that the influence of third parties does not compromise or override independent judgement.

The Board is absolutely focused on the sustainable, long-term success of the Group. Any conflicts of interest are declared and Directors do not speak or vote on matters where a potential conflict arises.

It is a key principle of the shareholders that the boards of directors of companies within the NWGL Group, of which the Group is part, manage their own affairs. Whilst support and assistance is provided when asked for, it is recognised that local management has hands-on knowledge of the operational business and of customers' needs and priorities. Consequently, non-NWL interests of shareholders are never a factor in decision-making of the Board and this approach is regularly re-affirmed by the NEDs in the clearest possible terms.

Objective 3: The Board of the Appointee's leadership and approach to transparency and governance engenders trust in the Appointee and ensures accountability for their actions.

Our comments below on the relevant supporting provisions explain how the Group meets this Objective. The provisions require publication of the following in a clear and accessible manner:

(i) An explanation of group structure.

This is provided at page 49.

(ii) An explanation of dividend policies and dividends paid, and how these take account of delivery for customers and other obligations (including to employees).

The dividend policy, and how the policy has been applied in the year, is explained in note 9 to the Financial Statements.

(iii) An explanation of the principal risks to the future success of the business, and how these risks have been considered and addressed.

The Board has ultimate responsibility for risk management and determines appropriate risk appetite. The Board's view of acceptable risk is based on a balanced assessment of all the risks in the operating environment and aims to ensure an appropriate balance between risk aversion and opportunities. The Board monitors the management of risks and approves major decisions affecting the Group's risk profile. The Board is supported in this by the R&CSC, from which it receives regular and detailed reports.

The Board requires management to identify and assess the impact of risks to the business using a corporate risk model. In addition, during the year, a sub-group of the Board carried out a review of strategic risks, which are potentially high-impact risks which are foreseeable but with a high degree of uncertainty.

Outside of formal meetings, INEDs meet with senior management to review emerging risks which could impact the Group and in November 2024 they met to also consider the Group's risk appetite in conjunction with considering insights and emerging trends from external risk reports

An explanation of principal risks, and our approach to mitigating these risks, is provided on pages 54 to 59.

(iv) Details of board and committee membership, number of times met, attendance at each meeting and where relevant, the outcome of votes cast.

Details of Board and Committee membership and meetings and attendance is set out at page 66 and pages 71 to 76. No votes were held at any relevant meeting and all decisions were reached by consensus.

(v) 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.

A detailed explanation of the Group's executive pay policy is provided in the Remuneration Committee Report on pages 76 to 89, including how the criteria for the short-term incentive plan have significant linkage to benefits for our customers and the wider environment.

Objective 4: The Board of the Appointee and its committees are competent, well run, and have sufficient independent membership, ensuring they can make high quality decisions that address diverse customer and stakeholder needs.

Our comments below on the relevant supporting provisions explain how the Group meets this Objective.

(i) Boards and committees have the appropriate balance of skills, experience, independence and knowledge of the company. Boards identify what customer and stakeholder expertise is needed in the boardroom and how this need is addressed.

The Board has determined that A Bryce, J McGlade, B C Rosewell, R G Sexton and P Vicary-Smith are independent. Their backgrounds and skills are described in their biographies on pages 63 to 65.

The Board therefore has an excellent balance of skills, experience, independence and knowledge of the Group. The CEO has very significant experience in the water sector and in another customer-facing utility, whilst the INEDs make full use of their individual professional expertise and personal interests to make a significant contribution to addressing the needs of all stakeholders and customers.

The Board therefore believes that the Board, its Committees, Sub-committees and Sub-groups have sufficient independent membership to meet this Objective.

The non-independent NEDs bring extensive knowledge and experience of global infrastructure, finance, customer engagement, environmental policy and corporate governance.

(ii) INEDs are the largest single group on the board.

INEDs are the largest single group on the Board.

(iii) 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.

The Chairman was not independent of investors on appointment when the Group had a single ultimate controlling shareholder.

Given the balance of the Board and the strong group of INEDs, the fact that the Chairman is not independent is not considered to be an issue for concern. The recent Board evaluation noted that the It was agreed that the atmosphere in the Boardroom, in terms of encouraging balanced contribution, candid discussion and critical thinking was constructive.

There is a clear division of responsibilities between the running of the Board and the executive running the business and this is documented in the Board's terms of reference, clearly stipulated matters which are reserved for the Board and the Company's articles of association.

(iv) 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 overarching objectives are met. The approach is reported in the annual report and any weaknesses are acted on and explained.

The 2024 internal evaluation concluded that the Board was effective, functioned well, and worked productively and cohesively as a Board. All Directors agreed that the members had an excellent range of skills and experience that are appropriately used for the effective management of the opportunities and risks inherent to the business. Directors were asked to rate the Board's understanding of the views and requirements of certain stakeholders. The results confirmed that the Board had a strong understanding of the legal and regulatory environment in which NWL operated, and high scores were achieved across the other categories focussing on the Board's understanding of the views of its customers, employees and shareholders.

The quality of the relationships between the Board and certain parties all scored very positively. It was highlighted from the results that the Non-Executive Directors' engagement with management in providing effective support was excellent, with 75% scoring this as high as possible.

In terms of the of support available to the Board, induction and company secretarial support received the highest ratings, both scoring an average of 3.63 (out of 4). Access to external advice also scored well, with an average score of 3.25 (out of 4). However, the results suggested that ongoing training could be an area for improvement and in order to address this concern a number of site visits and deep dives have been conducted with the Board to enhance operational understanding.

Moving into 2025, an independent external Board evaluator has been appointed to undertake an evaluation of Board effectiveness. This will include both a survey and face to face interviews with Directors. The review will assess the Board's performance and effectiveness in collectively working for the long-term success of the Company and fulfilling its key three roles of setting strategic direction, monitoring management performance, and providing support and advice. This will enable the Board to, amongst other matters, purposefully identify and overcome any barriers that may impede its effectiveness and to identify areas for improvement.

(v) There is a formal, rigorous and transparent procedure for new appointments which is led by the nomination committee and supports the overarching objective.

There is such a procedure in place. The most recent recruitment campaign for the INEDs which occurred involved a leading executive search agency to ensure that candidates were drawn from as wide a pool as practicable and was consistent with the highest standards of best practice. Post appointment, feedback on the recruitment process was requested and it was described as 'thorough', 'fair' and 'effective in identifying a good range of highly able and experienced candidates'. The appointees reported that the interviews showed that the Board 'had a clear vision about the roles, skills and experience it was looking for and selected a group of individuals who complement each other and cover a range of characteristics and expertise that the Board needs'.

On appointment, INEDs participate in a comprehensive on-boarding and induction programme, covering all key aspects of the Group's operations, responsibilities and financial structure. 'Teach-ins' with senior colleagues and visits to key sites take place during the year. These site visits continue as a method of providing enhanced understanding of the workings of the Group to the Board. The programme is flexible and appointees are encouraged to help shape it.

(vi) 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.

The Group has adhered to this.

(vii) There is a majority of independent members on the audit, nomination and remuneration committees and the audit and remuneration committees are independently led.

There is a majority of INEDs on the AC, Nomination Committee and Remuneration Committee. The latter two Committees are chaired by the Group's Chairman, and are therefore not independently led, which the Board considers appropriate in the context of the Group's ownership structure.

The INEDs play a leading part in the Committees and Sub-committees. Importantly, the AC is chaired by an INED with appropriate financial experience and five of the six members are INEDs. The R&CSC is, similarly, chaired by an INED and all five members are INEDs. More specifically, the AC and R&CSC deliver much of the preparatory work on the Annual Report and Financial Statements and APR, review the work of the internal audit function, review risk management and advise the Board on risk appetite and monitoring compliance with covenants and management of debt. At the AC, there is a particular focus on matters of compliance with regulatory obligations. The AC and R&CSC report fully and frame proposals on such matters for the Board to consider. Therefore, in addition to their direct input to the Board, the influence of the INEDs and their contribution to the running of the Group, through the AC and R&CSC, is very significant and highly valued.

Authorisation of Directors' conflicts of interest

Directors have a statutory duty, under section 175 of the Companies Act 2006, to avoid a situation in which they have, or could have, a conflict of interest with the Group's interests. However, there is no breach of this duty if the Board has authorised the matter in question. The Company's Articles permit Directors (other than the Director having the interest in question) to authorise any situation giving rise to a known or potential conflict. A register of the interests which have been authorised is maintained by the Company Secretary.

Work of the Committees

Details of the work of the AC, R&CSC and Nomination Committee are set out below.

NWL's commitment to ESG matters at Board level has been formalised by establishing the ESGC during the year. This Committee assumes responsibility for oversight on ESG matters, aligning practices with regulatory requirements and stakeholder expectations, including identifying and mitigating climate-related risks and opportunities, and providing strategic guidance to the Board.

Audit Committee Report

Introduction by the Chair of the Committee, R G Sexton

The role of the AC is to assist the members of the Board of NWL and its subsidiaries to discharge their individual and collective responsibilities in relation to:

- ensuring the financial and accounting systems of each Group company are providing accurate and up-to-date information on its current position;
- ensuring the published Financial Statements of the Group companies represent a true and fair reflection of this position;
- ensuring the integrity of the Group's regulatory reporting systems and the accuracy of its regulatory reports; and
- assessing the integrity of internal financial controls, thereby mitigating against financial loss or mis-statement.

The AC also maintains oversight of internal and external auditors. I have worked with the members of the AC and with management and key advisors to produce an action plan for the Committee, setting out the business to be addressed at each meeting. This plan is dynamic and is updated throughout the year. The members of the AC are updated regularly on developments in financial reporting requirements and on any changes in NWL's regulatory environment.

Members of the Audit Committee

The members of the AC during the year were R G Sexton (Chair), A A Bryce, B C Rosewell, J M McGlade, P D Vicary-Smith and L S Chan.

The CEO, Chief Financial Officer, Regulation and Assurance Director, Internal Audit Manager and the external auditor normally attend the AC's meetings by invitation and R Somerville (General Counsel and Company Secretary) acted as Secretary to the Committee. Other senior managers, independent technical auditors and advisers are invited to attend as appropriate.

The work of the Audit Committee

During the year, and up to the date of approval of these Financial Statements, the AC assisted the CEO and NEDs to discharge their individual and collective responsibilities. Its work included the following:

External Audit

- reviewing the draft Financial Statements and APR, considering reports from the external auditor setting out the audit approach and plan, significant audit risks and conclusions on the Group's internal controls and risk management;
- considering the key areas of judgement in the Financial Statements, reviewing reports from management, and ensuring these are consistent with those set out in note 1(r) to the Financial Statements on page 107;
- reviewing the appropriateness of accounting policies and evidence supporting the going concern basis for the Financial Statements and recommending approval of the Financial Statements to the Board;
- reviewing the prior year adjustment, detailed in note 28 to the Financial Statements;
- reviewing and monitoring the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; and
- approving the external auditor's fees for both audit and non-audit services, by reference to the agreed policy (see further details below).

The AC monitors the independence of the audit through different reviews and actions including:

- confirmation that the auditor is, in its professional judgement, independent of the Group;
- obtaining from it an account of all relationships which may affect the firm's independence and the objectivity;
- rotation of the lead audit partner every five years; maintaining a policy regarding the engagement of the auditor to conduct non-audit work and monitoring the level of audit fees compared to non-audit fees (see further details below);
- considering audit tender requirements, being tenders every 10 years and mandatory rotation after 20 years;
- considering new accounting standards and reviewing their applicability to the Group;
- reviewing the approaches taken to bad debt and taxation provisioning as well as unbilled revenue recognition; and
- reviewing reporting from management or the external auditor on the accounting judgements associated with property, plant and equipment, and assumptions taken regarding valuing financial instruments and the defined benefit pension scheme liability.

In addition, the AC considers the effectiveness of the external audit, and considers the level of experience, industry knowledge and expertise of the audit team, and its delivery of appropriate challenge in a knowledgeable and constructive manner.

Non-audit fees

The Group has adopted a formal policy on the provision of audit services, which was updated with effect from 1 April 2017, to reflect the FRC's Revised Ethical Standards 2016.

The policy provides for general pre-approval of a range of services which are generally regarded as audit related, where the fees are equal to or less than £50k. It also sets out a broad range of prohibited activities.

Services which are not prohibited, but which have not been pre-approved and in respect of which the fee is equal to or less than £50k, can be approved by the AC Chairman, who reports such approval to the AC. If the fee for such services will exceed £50k the approval of the AC is required.

The policy imposes a cap on non-audit fees equal to 70% of average audit fees for the previous three years.

Where Deloitte LLP is engaged to provide non-audit services, this results from its extensive knowledge on NWL's business and the sector generally, as well as demonstrating the required expertise and capability to provide good value for money.

Non-audit related work undertaken by Deloitte LLP in 2024/25 amounted to fees of £134k, comprising assurance services related to an annual update of the EMTN programme and third party contracts. The fees paid are set out in note 4 to the Consolidated Financial Statements on page 109.

Internal Audit

The Group operates a blended model for its internal audit function. Under this model, the internal audit team conducts most of the work, including core financial controls and regulatory reporting reviews. Reviews of specialist technical areas are outsourced to firms with appropriate experience and qualifications when felt necessary.

The Committee reviews and approves the internal audit plan for the year. Its review is designed to ensure that focus is given to the areas of highest risk for the Group and that the audit work focuses on key controls.

Internal audit reports reviewed by the Committee during 2024/25 included:

- Sewer Flooding Process including GSS
- Review of Customer Accounts
- Review of Customer Complaints and Account Queries

In addition, at each of its scheduled meetings the Committee received reports detailing progress with implementing recommendations previously raised by internal audit and is satisfied that management has taken appropriate steps to implement the recommendations raised.

The Chair of the Committee, independent of management, maintains regular and direct contact with both the internal and external auditor, allowing open dialogue and feedback.

The Committee has considered the effectiveness of internal audit.

Work with other assurance providers

Support with data assurance work for the principal regulatory reporting was provided by Deloitte LLP for financial tables and PwC and our Internal Audit team for non-financial tables.

Our overall approach to assurance of regulatory data has been approved by the Committee and is described below:

- business as usual assurance for our ongoing data capture and measurement processes;
- each piece of data must be provided by the nominated data provider and reviewed before being audited. This is controlled by a workflow system; and
- additional independent technical assurance was procured (from PwC as our External Technical Auditor) to examine areas that were identified as being higher risk as defined by our regulatory data risk management framework as approved by the Committee. Our approach is described in our draft and final assurance plans with the results being described in our Data Assurance Summary annually.

Reports from Deloitte LLP, PwC and Internal Audit are received and reviewed by the Committee.

Further compliance and other matters

- reviewing and commenting on the APR, including the underlying assurance, reviewing evidence to support the Condition P certificate (ring-fencing certificate) and long-term Viability Statement and recommending their approval to the Board;
- approving arrangements for monitoring compliance with the Group's procedures designed to prevent bribery, having regard to the Bribery Act 2010 and the code of conduct 'Our Way at NWG', including receiving reports on any whistleblowing allegations;
- reviewing management of tax compliance matters and other tax issues, and discussing key matters with HMRC; and
- reviewing the Group's Long-Term Viability Statement.

The AC Chairman reports formally to the Board following each AC meeting, and its minutes are circulated to both NWL and NWGL Boards.

Attendance at the four AC meetings during the year was as follows:

Name	Attendance
R G Sexton	3
A A Bryce	4
L S Chan (or his alternate)*	4
J M McGlade	4
B C Rosewell	3
P D Vicary-Smith	4

(*C Ng acted as alternate for L S Chan)

R G Sexton
Chair of the Audit Committee

Risk & Compliance Sub-committee Report

Introduction by the Chair of the Sub-committee, R G Sexton

The role of the R&CSC is to assist the CEO, NEDs and INEDs to discharge their individual and collective responsibilities in relation to assessing the scope and effectiveness of the Group's risk management systems and the integrity of its internal financial controls.

Members of the Risk & Compliance Sub-committee

The members of the R&CSC during the year ended 31 March 2025 were R G Sexton (Chair), A A Bryce, B C Rosewell, J M McGlade and P D Vicary-Smith.

The work of the Risk & Compliance Sub-committee

The ELT implements policies on risk management and internal control and ensures that risks are appropriately identified and managed within the business, to ensure that the Group's resources and capacity to deliver services as required by customers remain resilient. This approach is set out in a Risk Management Framework, which has been endorsed by the R&CSC. The ELT reviews the approach to risk management in detail every year and reviews the significant risks every month. Any significant issues are reported by the CEO to the Board. Senior management implements policies on risk management and internal control.

The R&CSC, on behalf of the Board, has performed a robust assessment of the principal risks facing the Group, including those that would threaten its business model, resilience, future performance, solvency or liquidity. These principal risks, and how they are managed, are described on pages 53 to 59 in the Strategic Report.

The internal control framework supports the risk management process, ensuring that risks are appropriately managed, that controls are effective and that appropriate remedial action is taken where identified. Risks are mapped against the providers of assurance, whether this be management, internal or external assurance. The Board is supported by the AC in monitoring the effectiveness of the internal control framework with primary assurance being provided by the internal audit team.

The R&CSC, on behalf of the Board, has carried out an annual review of the effectiveness of the Group's risk management and internal control systems. This review confirmed that the Group has strong systems of internal control and robust processes in place to enable it to identify, evaluate and manage the risks it faces and to ensure that its obligations are met. These systems and processes are embedded in the organisation and are reviewed regularly by the Board, its Committees and Sub-committee. The annual review confirmed that the risk management and internal control systems have operated effectively through the year and that there have been no significant failings or weaknesses.

Treasury Sub-group

In order enhance existing governance arrangements, the R&CSC established a Treasury Sub-group to consider and oversee certain proposed treasury arrangements and transactions affecting the Company.

The Treasury Sub-group is required to review and satisfy itself as to the appropriateness of proposed treasury transactions and the effective implementation of the Group's financing strategy. The Treasury Sub-group also considers and, as applicable, approves or recommends strategies and policies to the Board in relation to areas of treasury management. This includes financing opportunities, liquidity management and forecasting, investor relations and treasury internal control and governance policies.

Activity in the year

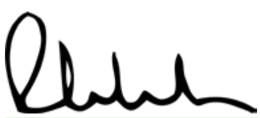
During the year, and up to the date of approval of these Financial Statements, the work of the R&CSC included the following:

- reviewing reports at each meeting on the top-rated managed risks and priorities for assurance (being those risks with the biggest reduction between the business (gross) and managed (net) risk scores), representing key control areas for the Group;
- reviewing high impact, low likelihood risks which have a rare to unlikely likelihood of occurrence but a potentially catastrophic level of impact;
- reviewing risk assessment processes as well as keeping the effectiveness of the risk and internal control management systems under review;
- reviewing the Group Safety Plan;
- monitoring compliance with covenants and treasury risks;
- reviewing management of customer debt;
- reviewing the risk and control framework and reporting; and
- through the Treasury sub-group, reviewing and recommending approval of the near-term financing plan, which will enable the Group to raise sufficient debt financing to meet its needs for at least the next 12 months.

Attendance at the five scheduled R&CSC meetings during the year was as follows:

Name	Attendance
R G Sexton	4
A A Bryce	5
J M McGlade	5
B C Rosewell	4
P D Vicary-Smith	4

The R&CSC holds a special meeting with members of the Board each year to conduct a separate Strategic Risk review exercise.



R G Sexton
Chair of the Risk & Compliance Sub-committee

ESG Committee Report

ESG is central to NWL's operations and stakeholder expectations. In recognition of this, and to enhance governance, the Board approved formalising its approach to ESG through a dedicated Board Committee. The role of the ESG Committee is to provide strategic oversight and guidance on ESG matters, align practices with regulatory and stakeholder expectations and identify and mitigate ESG-related risks.

The Committee will meet at least three times annually and additionally as needed. It's members are Professor J M McGlade (Chair), K Slaminka, C Ng, B C Rosewell, A A Bryce and H Mottram

The Committee's primary function is to assist the Board in fulfilling its oversight responsibilities relating to ESG matters. The Committee may take the lead in key areas such as affordability and vulnerable customers, employees and culture, nature and the environment and climate change. Relevant ESG topics include, but are not limited to:

(i) Environmental

a. Water management for the environment and people (taking less water from the environment, minimising the amount of water that's wasted, minimising the amount of water that's used).

b. Healthy catchments, rivers, and coastal waters (enhancing the quality of the water environment through regeneration of nature and catchments; supporting excellent bathing waters; significantly reducing the occurrence and impacts of storm overflows; helping to significantly reduce flood risk).

c. Effective climate action (minimising greenhouse gas emissions from our activities; working in partnership to reduce emissions from others; managing environmental risks from climate change to provide a resilient service to customers and business).

d. Valuing resources and eliminating waste (reducing resource use and sourcing sustainably; recovering energy and materials from our processes; eliminating avoidable waste).

e. Thriving nature and communities (restoring, protecting, and enhancing biodiversity; connecting communities to nature; improving local air quality).

(ii) Social

a. Attracting and developing the right people and the right skills (putting the frameworks in place to support an engaged, competent, and expert workforce).

b. Creating the right culture for all (delivery of the NWL Together for Inclusion, Diversity and Equity strategy outlining our commitment to representing different cultures, backgrounds and lived experiences; targeted engagement and advocacy of underrepresented groups in NWL workforce and customer populations).

c. An enabled, performing and thriving workforce (making sure everyone in NWL and its supply chain goes home safe every day; supporting colleagues' health and wellbeing through the NWL Living Well initiative) This is to be carried out in conjunction with the Risk Sub-Committee, which is responsible for reviewing the annual Health Safety and Security Plan, and for overseeing the associated risk management.

d. Designing and implementing policies and services which are inclusive and affordable for all (tackling water poverty; supporting customers in vulnerable circumstances; promoting water for health)

e. Building Successful Economies in our Regions (supporting our communities by giving time, expertise, and resources to their important causes; working in partnership with organisations to achieve the goals that are most important to our customers; investing in our local economies by committing to spend £60p in every £1 in our regions).

(iii) Governance

a. Monitoring of the Board's responsibilities to ensure that the behaviours and culture of NWL are aligned to its Purpose, Vision and Values

b. Reporting, transparency, and governance arrangements engender trust and ensure accountability (appropriate ESG indices are completed; annual ESG reporting on performance; valuing open data as a way of building trust and enabling positive outcomes for customers and the environment).

c. Oversight and monitoring of internal company processes designed to protect ethical behaviours (oversight and reporting on business ethics, whistleblowing, anti-bribery and corruption programmes, data privacy and security). This is to be carried out in conjunction with the Risk Sub Committee whose duties are set out in its Terms of Reference.

d. Considering business activities in a holistic and long-term context whilst being cognisant of diverse customer and stakeholder needs ('horizon scanning', identification of emerging ESG threats and opportunities based on external data).

The Committee has met twice in the year, holding its inaugural meeting in September and at those meetings it has :

- reviewed the Company's Articles of Association and recommended changes there to, making sure that customers and the environment are at the heart of NWL's objectives;
- endorsed the Committee's Terms of Reference;
- considered future ESG reporting requirements and approach;
- reviewed the Company's results and approach to its Great Place to Work survey; and
- considered the Company's approach to ESG related external audits and certification.

Attendance at the two scheduled ESGC meetings during the year was as follows:

Name	Attendance
J M McGlade	2
A A Bryce	2
B C Rosewell	1
H Mottram	2
C Ng	2
K Slaminka	2

J M McGlade
Chair of the ESG Committee

Nomination Committee

The Nomination Committee has wide-ranging terms of reference which are available on the Group's website. The members of the Nomination Committee during the year were A J Hunter (Chairman), D N Macrae, A A Bryce, B C Rosewell and P D Vicary-Smith.

Compliance with the Wates Principles

The Board considers that it complies with the relevant provisions of the Wates Principles, through the corporate governance arrangements described in detail above, and the further arrangements set out below.

Principle One – Purpose and Leadership

An effective Board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.

Please see the comments on compliance with Objective 1 of the 2019 Ofwat Objectives, on pages 67 to 68.

Principle Two – Board Composition

Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.

Please see the comments on compliance with Objective 4 of the 2019 Ofwat Objectives, on pages 69 to 70.

Principle Three – Director Responsibilities

The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.

The Group has in place clear corporate governance practices which provide clear lines of accountability and responsibility. The members of the ELT have clearly defined responsibilities and levels of authority are set out in Financial Approval Rules (as explained in the comments in relation to Objective 2 of the 2019 Ofwat Objectives on pages 68. The Board's approach to conflicts of interest and the relationship between the Group and its owners is also explained in that section of the Report.

The Chairman and Company Secretary discuss governance processes from time to time to confirm they remain fit for purpose and consider initiatives which could strengthen governance and matters reserved to the Board for approval and terms of reference of its Committees and Sub-committees are reviewed periodically by the Board (as also explained in the comments in relation to Objective 2 of the 2019 Ofwat Objectives on page 68.

Details of the Board's Committees and Sub-Committees are set out in the comments on Ofwat's 2019 Objective 4, on pages 69 to 70.

Details of processes which are in place to ensure systems and controls are operating effectively and that information provided to the Board is robust are set out throughout this document and in the Group's APR and Data Assurance Summary.

Principle Four – Opportunity and Risk

A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.

The Group is a long-term business and ensuring its long term sustainable success is a key driver underpinning the work of the Board and its Committees and Sub-Committees, as described in detail in this Report. The Board's approach to oversight of the identification and mitigation of risks is detailed in the Risk Report on pages 53 to 59.

Principle Five – Remuneration

A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.

A detailed explanation of the Group's executive pay policy is provided in the Remuneration Committee Report on pages 76 to 89.

Principle Six – Stakeholder Relationships and Engagement

Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

Details of the Group's extensive stakeholder engagement programme are set out on pages 13 to 16.

Code of conduct

The NWGL Group has a code of conduct, 'Our Way at NWG', covering its relationships with customers, employees, suppliers, local communities, shareholders, other investors and regulators. This document, in conjunction with relevant policies, provides clear guidance to employees in relation to personal conduct, conflicts of interest, the anti-bribery policy and a number of other matters.

Remuneration Committee Report

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Members

All members of the remuneration committee attended all meetings in 2024/25, which were held in May and October 2024 and January 2025, and the meeting in June 2025.


A J Hunter (Chairman)


A A Bryce


D N Macrae


B C Rosewell


P D Vicary-Smith

H Mottram attends but does not participate in discussions relating to her own remuneration.

Key responsibilities of the committee

- Determining and recommending to the Board the policy for executive director remuneration, having reviewed and considered NWL purpose, vision, strategic themes and values, and external benchmarking.
- Reviewing incentive plans based on a view on what constitutes stretching targets and a balanced, stakeholder driven view of performance.
- Reviewing incentive plans and decisions based on updates to the regulatory environment
- Considering the impact of changes to statutory and regulatory requirements in respect of remuneration processes and structures.
- Agreeing Short-Term Incentive Plan (STIP) and Long-Term Incentive Plan (LTIP) payments for the 2024 calendar year, including confirming whether or not the gateway assessment requiring NWL to meet minimum environmental criteria had been successfully achieved, and reviewing performance against the balanced scorecard measures.
- Setting STIP and LTIP performance targets for the 2025 calendar year, and ensuring that targets are at stretching levels aligned to industry-leading performance.

Alignment to Our Purpose

Our approach to pay is designed to incentivise and reward behaviours that align with our strategic Objectives, Purpose and Vision, encouraging that we not only meet, but exceed the expectations of all the stakeholders and communities we serve and minimise the impacts we have on our environment. By linking compensation to a rounded and stretching view of performance, we foster a culture of excellence that reinforces our dedication to running a successful company and driving long-term positive impact across all areas of delivery.

This alignment helps to ensure that senior management and directors, whose bonuses are directly linked to the balanced scorecard, are motivated in a holistic sense, ensuring their deep commitment to contributing to NWL's vision and purpose.

Chairman's introduction

Remuneration at NWL

Our Board is responsible for supporting the Company in delivering a high standard of performance which generates positive outcomes for all stakeholders that interact with NWL. Performance-related executive pay (PRP) is a key tool that our Remuneration Committee (RemCo) uses to achieve this. Central to this is our balanced scorecard that incentivises multiple financial and non-financial outcomes, forming the basis of the PRP decisions. This approach provides a more responsible, transparent renumeration process that is closely aligned with our organisational purpose. In doing so we aim to contribute to positively building trust in NWL.

We were pleased to have been called out as good practice within Ofwat's 2023/24 assessment of PRP. In particular, Ofwat praised NWL's approach to providing measure-by-measure explanations to evidence why targets are considered stretching. Rather than standing still, we have reviewed and evolved our approach for 2024/25 and have raised the ambition level on several targets. The continuation of setting stretching targets demonstrates our focus on improving service for our customers.

Our approach to remuneration spans the five areas of strategic priorities of our balanced scorecard. These areas align directly to benefits we deliver for customers, the environment, our employees and the communities we operate in and covers both financial and non-financial measures of performance. Within this report we aim to provide clear descriptions of our PRP decisions and the rationale underpinning them.

Key remuneration themes for 2024/25

Proactive engagement with continued reform of PRP

This year has seen significant action from Government and Ofwat to further reform and improve responsible pay practices in the water sector through the Water (Special Measures) Act and the associated performance related executive pay prohibition rule. We are playing an active role in engaging and aligning to these developments.

The prohibition rules mean that bonus payments for STIP and LTIP cannot be met unless Ofwat's standards relating to consumer matters, environment, financial resilience and criminal liability are met. We are pleased that our high internal PRP standards already exceed the targets, making PRP permissible for NWL in this area. We remain engaged with Ofwat on this matter and will continue to play our role in contributing to further reforms in this area.

Continuing to set a higher bar on PRP year on year

Since our PRP approach was recognised by Ofwat as good practice in 2024, we have committed to evolving and raising our standards annually. Our 2020-25 business plan set remuneration targets which would require industry-leading or upper quartile performance to trigger bonus payments. This fiscal year, the majority of the targets are more ambitious than Ofwat's PC targets set at PR19 which highlights the extent to which they are considered 'stretching'. Compared to last year, we have further raised our ambition in areas such as internal sewer flooding incidents, leakage, and employee engagement.

We will continue to stretch our performance in our 2025-30 business plan, integrating customer feedback and Ofwat's PR24 final determinations.

We actively monitor leading remuneration practices within and outside the sector and are making improvements in our practice in two key areas: enhancing stakeholder engagement and further integrating purpose and ESG into our governance. Our stakeholder engagement includes mechanisms like our existing 'Water Forum' and the introduction of the 'Local Action' programme to reflect customer and community interests in decision-making and challenge the NWL executive team and Board. Guided by our ESG committee, we are deepening the integration of purpose and ESG throughout our governance, practices and reporting and this will be honed further within the AMP8 planning cycle. 'Our Purpose' report summarises our priorities and progress and we will monitor the potential for aligning remuneration to these priorities.

Remuneration in 2024/25

This year we made strong year-on-year performance in the areas of customer, communities, and competitiveness. For customer, we improved from 2023/24 performance against measures of customer (C-MeX) experience and customer service. We are awarding 20% of the full 25% bonus attributable to customer, with the compliance risk index being the only missed target. For communities, we are awarding the full 5% bonus payment, having achieved recognition by Consumer Council for Water (CCWater) as a Most Trusted Water Company and a World's Most Ethical Companies award by the Ethisphere Institute. Within competitiveness, we are awarding the full 40% bonus attributable to financial metrics and have continued to invest in innovations to optimise commercial performance and drive efficiencies.

We are pleased that, our employee engagement index rose from an existing place of strength to 78%. Leading performance requires an engaged workforce, and we will continue to invest significantly in our people. We narrowly missed our target for lost-time accidents by one accident, resulting in half of the bonus attributable to people related targets being paid out. Our ambition to ensure every colleague goes home safe every day remains steadfast, and we will be raising the target ambition level for next year and investing appropriately to achieve it.

For environmental performance, we have awarded 0% bonus despite achieving our targets relating to pollution incidents and greenhouse gas emissions. This is due to our internal threshold requiring a minimum 3-star (Good status) rating before triggering STIP bonus payments. The Environment Agency will not announce the Environmental Performance Assessment results until the autumn and therefore we have made the decision to withhold any award for environment related targets until these ratings are finalised. Despite strong underlying environmental performance in some areas, we recognise room for improvement and will invest c.£4.5bn in our region throughout 2025-30, delivering major service improvements and eliminating serious pollution.

Overall, we awarded 70% of the total possible award for STIP, down from 77.5% in 2023/24. Should the EPA assessment achieve a 3-star score, 10% of the environmental measures would be awarded, increasing the position to 80%.

The LTIP has been awarded at 70% of the total possible bonus, up from 35% last year, reflecting increased commercial and customer performance.

Both the STIP and LTIP awards have been paid by NWGL, with no payment made by NWL, ensuring our customers do not bear the cost of any Directors' bonuses.

A look ahead

We remain committed to setting ambitious performance targets and strengthening stakeholder trust. Remuneration continues to play a critical role in driving organisational performance and reinforcing our accountability to stakeholders. As the sector evolves, we are determined to demonstrate leading practice in this area. Looking ahead to 2025/26, and in response to stakeholder concerns, we have also introduced a new measure for storm overflow spills.

We will remain actively engaged with Ofwat's updates to performance-related pay and having a positive impact on our communities and the environment. Our achievements this year, along with our long-term track record, reflect this commitment. We look forward to continuing to raise the bar in 2025/26.

A J Hunter
Chairman of the Remuneration Committee

Remuneration Overview

Recap of year's performance

Northumbrian Water remains committed to being a national leader in sustainable water and wastewater services. Our 2020-25 goals aimed to establish and maintain this position in the market and evidence of their ambition level is seen within the 'Stretching targets' column on our balanced scorecard. We have continued to execute against these goals as we come to the end of this cycle, having achieved 12 out of 17 stretching targets this year. We are proud to be the top performer for C-Mex, the second time in the last five years that we have achieved the top rating. We have been named one of the 2024 World's Most Ethical Companies for the 14th time, and ranked in the top 40 UK employers as a Great Place to Work.

We have now completed the final year of our current price review period and look back with pride at our achievements through this cycle while investing appropriately into raising the bar further in the 2025-30 period. This includes targeting further improvements in areas that matter most to our customers and communities particularly in relation to environmental performance.

Customer

We are delighted to be the top company for C-MeX, the water industry measure for customer experience positioning us in the top 3 for a 5th consecutive year. We were also awarded ServiceMark accreditation by the Institute of Customer Service in addition to the TrainingMark accreditation for the third consecutive year, being the first water company in England to hold both simultaneously. Last year, we invested in a new customer experience management platform to capture real-time insights from our customers and identify warning signs when we are falling below target or not meeting expectations so we can take proactive measures. We have seen pleasing performance in the D-MeX metric, which measures the experience of our developer customers, and have recruited a BR-MeX lead and established a cross-business group in preparation for the new BR-MeX measure, which aims to capture the experience of retailers of water services.

1st in **C-Mex** and **2nd** in **D-Mex**

ServiceMark accreditation – Institute of Customer Experience

Environment

This year, we have had zero major pollution incidents and have made good progress towards our carbon net-zero goals, reducing our carbon emissions by more than 90% since establishing our benchmark in 2008. We have also reduced spills by 13%. We launched the Smart sewers project in July. This is a pioneering initiative involving the use of AI and sensors to manage wastewater flow in real-time across our extensive network of pipes.

0 Category 1&2 pollution events for the **third year** running

15.9% YOY reduction in greenhouse gas emissions

Competitiveness

Over the past year, we have continued to strengthen innovation capability and champion employee-driven innovation. Our annual Innovation Festival returned for its eighth year and achieved record participation, with 800 employees actively contributing. The festival continues to serve as a fertile source of innovation projects, leading us to be the most successful company in Ofwat's Innovation Fund, winning 19 bids at a total value of £38.7m over 5 years. One of the many high-value projects emerging from the festival is Generative AI for Chemical Dosing, an AI-driven dosing optimisation system that could be scaled across both water and wastewater treatment.

People

In November, 91% of colleagues provided feedback via our annual Great Place to Work engagement survey, with 82% agreeing that the organisation is a great place to work, and we have been listed for the fifth time as one of the UK's Best Workplaces in the super large category. Our CEO, Heidi Mottram, and the Executive Leadership team hosted over 65 interactive Employee Roadshows, offering colleagues the chance to hear key messages, celebrate milestones, share feedback, and ask questions. We launched our 'Safe to Say' initiative in partnership with Colleague Networks to support honest and open dialogue, and carried out our first Health and Safety Executive's Health and Safety Culture survey with colleagues. To prepare for the 2025-30 Business Plan cycle, we carried out extensive workforce planning to expand our capacity and capability by scaling up our recruitment efforts. This resulted in an approximate 10% increase in headcount. The Building Futures Graduate Scheme introduced nine new roles, with 67% of the first cohort being female.

78% Employee engagement trust index

82% of colleagues agree **NWL** is a **great place to work**

Communities

We are proud to have been named as one of the 2024 World's Most Ethical Companies for the 14th time and are the only UK water company on the list. We remain committed to spending 60p in every £1 locally, working closely with local suppliers and recruitment organisations to ensure our spending benefits the local economy. This year, we achieved the highest number of colleagues volunteering since our Just an Hour volunteering scheme started in 2002. A total of 1,870 colleagues volunteered, supporting over 700 organisations in our local communities and completing 2,731 volunteering activities.

Recognised on World's **Most Ethical** Companies list for **14th time**

53% of our colleagues **volunteered** in their communities **(35% in 2023)**

Introduction to our Remuneration Methodology

Balanced scorecard

At Northumbrian Water, our performance evaluation is underpinned by a balanced scorecard, designed to deliver our strategic vision and purpose, and our targets are focused on what our customers say are important to them. This robust approach assesses annual performance against pivotal metrics in alignment with our core strategic themes. 60% of these metrics are non-financial, underscoring our commitment to customer satisfaction, environmental stewardship, employee well-being, and community enrichment.

Stretching targets

Our ambition to be the national leading water company guides decision making and actions across all aspects of NWL. This means we set our remuneration targets in line with establishing and maintaining a leading position in the market, even if that means that we don't pay out a bonus for performance meets our performance commitment or that is above the mean industry standard.

In November 2024, we were pleased to receive recognition of good practice from Ofwat in relation to our stretching targets as part of their assessment of performance-related executive pay outcomes for 2023/24. In particular, Ofwat recognised that we set out why the target used for each measure is stretching with reference, for example, to the sector or the PR19 performance commitment level.

Every year, the Executive and Board undertake a rigorous process to assess the targets we set, informed by our customers and stakeholders, and then consciously set in line with our vision and purpose to be leading in the context of the wider industry performance.

In each of our STIP and LTIP scorecards, there is an indication of how stretching each measure is compared to peers and/or Ofwat performance standards.

Stretching targets key:		
IL	Industry Leading	Top performing water company in England and Wales.
UQ	Upper Quartile	Performance in the best 25% of water companies in England and Wales
AA	Above Average	Performance in the best 50% of water companies in England and Wales.
PC	Performance Commitment	Performance target set in our PR19 regulatory price determination from Ofwat.
PC+	Harder than Performance Commitment	More stretching than our Performance Commitment.
TP	Transformation Plan	Performance improvement plan agreed with Defra.

Our STIP scorecard

STIPs focus on immediate operational targets, incentivising yearly performance in customer service, efficiency, and regulatory compliance.

Highlighted measures in the table on the next page indicate areas that NWL committed to more ambitious scorecard measures for 2024 from 2023 to continue to drive our purpose and become the leading water company in the UK.

Scorecard measure	Target	Performance	YoY	Achieved	Stretching targets	% of total awarded	% of total STIP potential
Customer							
C-MeX experience[1]	top 2	3rd	↑	●	UQ	2.5	2.5
C-MeX customer service[1]	top 2	1st	↑	●	UQ	2.5	2.5
D-MeX experience	top 2 WASC	2nd	←→	●	UQ	5	5
Unplanned interruptions >3 hours (mm:ss per property)[2]	<=4:53	4:40	↑	●	UQ/PC+	5	5
Compliance risk index (number)	<=3	10.94	↓	●	AA/TP	-	5
Repeat sewer flooding (number)	<=27	20	↑	●	PC+	2.5	2.5
Internal sewer flooding (number)	<=161	136	↑	●	UQ/PC+	2.5	2.5
Environment[3]							
Leakage – NW (Mld)	<=115.0	117.0	↑	●	AA/PC+	-	2.5
Leakage – ESW (Mld)	<=54.0	54.7	↓	●	IL/PC+	-	2.5
Discharge permit compliance (EPA)	100%	96.6	↓	●	IL/PC	-	5
Pollution incidents category 1 & 2	0	0	←→	●	IL	-	5
Greenhouse gas emissions (ktCO2e)	<=20.17	16.25	↑	●	PC+	-	5
Competitiveness							
NWGL Group EBIT	budget	achieved	-	●	N/A	20	20
NWGL Group distributions	budget	achieved	-	●	N/A	20	20
People							
Employee engagement score (Trust Index) (%)	>=72	78	↑	●	N/A	5	5
Lost time accidents (number)	<=14	15	←→	●	N/A	-	5
Communities							
Ethisphere award	awarded	awarded	←→	●	N/A	5	5
Total				12/17 met		70	100

[1]The Remuneration Committee agreed that if the overall C-MeX position was 1st or 2nd then both measures would be deemed to be achieved.
[2]The Environment targets are only awarded if the Group achieves a 3* or 4* EPA rating for the year. As publication of the 2024 EPA has been delayed until later in the year, the RemCo has decided to withhold the award of the Environmental measures until the EPA is published.

For the CEO, in addition to the STIP calculation explained above, a further discretionary award was made by the Committee to reflect the Board's satisfaction with the CEOs performance related to additional corporate activities, taking the STIP pay to 85%.

This remained within the limit of the overall potential maximum STIP award. No payment was made by NWL in respect of the STIP, therefore our customers are not bearing the cost of any Directors' bonuses for the year. The full amount of the award was paid by NWGL.

	STIP awarded (out of 100%)	Maximum STIP (% of basic salary)	STIP awarded (% of basic salary)
H Mottram	85.7%	70%	60%

Our LTIP scorecard

LTIP Scorecard measurement

The scheme relates to the period January 2024 to December 2027. Performance targets were assessed in the first year of the scheme with payment deferred until early 2028, after the end of the four-year scheme period.

Highlighted measures below indicate areas that NWL committed to more ambitious scorecard measures for 2024 from 2023 to continue to drive our purpose and become the leading water company in the UK.

Stretching targets key:		
IL	Industry Leading	Top performing water company in England and Wales.
UQ	Upper Quartile	Performance in the best 25% of water companies in England and Wales
AA	Above Average	Performance in the best 50% of water companies in England and Wales.
PC	Performance Commitment	Performance target set in our PR19 regulatory price determination from Ofwat.
PC+	Harder than Performance Commitment	More stretching than our Performance Commitment.
TP	Transformation Plan	Performance improvement plan agreed with Defra.

Scorecard measure	Target	Performance	YoY	Achieved	Stretching targets	% of total awarded	% of total STIP potential
Customer and Environment							
C-MeX customer service	top 2 company	1st	↑	●	UQ	10	10
Unplanned interruptions >3 hours (mm:ss per property)[1]	<=4:53	4:40	↑	●	UQ/PC+	10	10
Compliance risk index (number)	<=3	10.94	↓	●	AA/TP	-	10
Internal sewer flooding (number)	<=161	136	↑	●	UQ/PC+	10	10
Leakage – NW (Mld)	<=115.0	117.1	↑	●	AA/PC+	-	5
Leakage – ESW (Mld)	<=54.0	54.7	↓	●	IL/PC+	-	5
Pollution incidents category 1 & 2	<=1	0	←→	●	IL	10	10
Competitiveness							
NWGL Group profit after tax	budget	-	-	●	N/A	20	20
NWGL Group distributions	budget	-	-	●	N/A	10	20
Total				6/9 met		70	100

The table below shows the LTIP earned in respect of services to the Group for 2024/25. No payment was made by NWL in respect of the LTIP, therefore the Group's customers are not bearing the cost of any Directors' bonuses for the year. The full amount of the award was paid by NWGL.

	LTIP awarded (out of 100%)	Maximum LTIP (% of basic salary)	LTIP awarded (% of basic salary)
H Mottram	70%	50%	35%

Directors and CEO 2024/25 remuneration

Directors' Remuneration Policy

The following table describes each component of Directors' remuneration, explaining the purpose of the component and if it is aligned with performance.

Basic salary	Aimed at attracting and retaining leadership for the Group's vision, basic salary is set competitively and reviewed annually without a direct link to performance metrics.
Benefits in kind	Provided in line with Group policy for all employees, these benefits do not vary with performance.
STIP*	Designed to incentivise yearly business performance aligned with strategic themes, STIP payouts are determined by balanced scorecard achievements, and financial targets, with 60% related to delivering benefits for customer and the environment. The environmental performance is subject to an EPA rating gateway.
LTIP*	Intended as a retention tool promoting long-term planning, LTIP rewards are based on multi-year performance against balanced scorecard and financial objectives, with 60% related to delivering benefits for customer and the environment.
Pension	Pension benefits align with market expectations and are provided through a defined contribution scheme or as a salary supplement, independent of performance.

*The contracts of the CEO and Executive Directors include a clause whereby all or some of any incentive payment over a look back period of 3 years can be clawed back in the event of misconduct, misstatement of the Company's financial position or the miscalculation of any incentive payment.

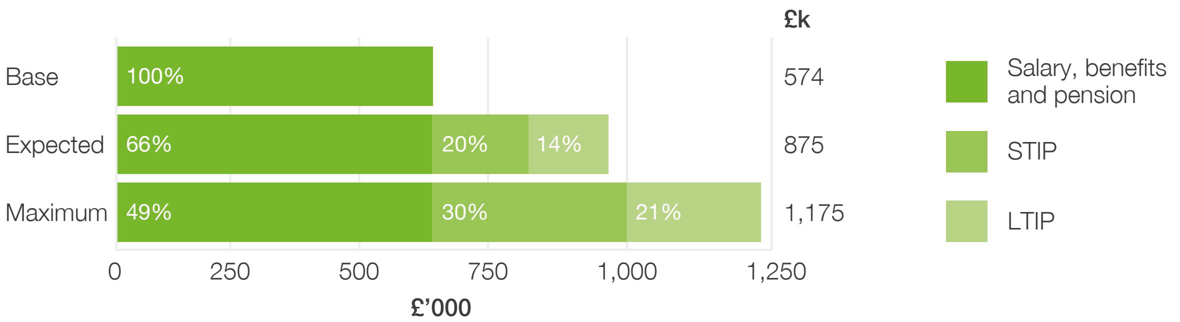
Illustration of CEO's Remuneration

The graphs below show for H Mottram, for the proportion of her remuneration borne by the Group:

- the base level of remuneration, which is not dependent upon performance and comprises basic salary, benefits in kind and pension;
- the expected level of remuneration, reflecting a typical level of performance against targets for the STIP and LTIP; and
- the maximum level of remuneration, if all STIP and LTIP performance targets were fully achieved.

For H Mottram, 51% of maximum remuneration is linked to Group performance through the STIP and LTIP. For the purposes of the graph, the expected level of performance for both the STIP and LTIP has been assumed to achieve 50% of the maximum value, though awards are dependent upon actual performance. Information on actual awards for the STIP and LTIP in respect of 2023 is provided on pages 82 to 83.

H Mottram



Directors' remuneration in 2024/25

The table below shows the total remuneration paid by the Group to Directors during the year with the exception of H Mottram where, as explained fully below, her remuneration includes certain amounts earned through services to the Group but paid by a parent undertaking. The table has been produced in accordance with the requirements of Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

	Salaries and fees		Benefits in kind		STIP*		LTIP*		Pension		Total remuneration	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000	2025 £'000	2024 £'000	2025 £'000	2024 £'000	2025 £'000	2024 £'000	2025 £'000	2024 £'000
H Mottram*	505	483	9	9	237	234	169	81	41	35	961	842
A A Bryce	80	72	-	-	-	-	-	-	-	-	80	72
J McGlade	71	60	-	-	-	-	-	-	-	-	71	60
B C Rosewell	63	60	-	-	-	-	-	-	-	-	63	60
R G Sexton	81	77	-	-	-	-	-	-	-	-	81	77
P Vicary-Smith	63	60	-	-	-	-	-	-	-	-	63	60
	863	**812**	**9**	**9**	**237**	**234**	**169**	**81**	**41**	**35**	**1,319**	**1,171**

*The STIP and LTIP payments were earned in respect of NWL activities but the cost was fully borne by NWGL, therefore the bonus costs were not paid by NWL customers. The environmental element of the STIP award has been withheld, pending the publication of the 2024 EPA assessment later in the year.

For H Mottram, the table shows 70% of her benefits as that is the proportion of her remuneration that is earned in respect of services to NWL. NWL pays the amounts shown in respect of salary, benefits in kind and pension. NWGL pays all of the STIP and LTIP cost, therefore NWL's customers are not bearing the cost of any Directors' bonuses. The total remuneration cost for H Mottram which was paid by NWL was £555k (2024: £527k).

For the other Directors reported in the table, NWL paid 100% of their remuneration.

H Mottram receives salary payments in lieu of employer pension contributions. These payments are reported under the pension heading in the table.

Non-director employee remuneration

In alignment with our commitment to fostering a purpose-driven culture, 100% of ELT directors and 80% of senior management's bonus structure is linked to our STIP scorecard, which reflects our collective progress towards strategic objectives. For senior managers, the remaining 20% is linked to personal performance. Furthermore, our internal employee reward and recognition program is deeply rooted in our core values - customer focus, one team, results-driven, ethical, and innovative - thereby reinforcing the behaviours that embody our vision and purpose.

CEO remuneration compared to the Company

The RemCo is committed to comparing CEO remuneration against the wider organisation and ensuring remuneration policies and practices throughout. Northumbrian Water continue to be accredited as a Living Wage Employer, ensuring that every employee in the Company earns at least the Real Living Wage, an hourly rate set independently and calculated according to the basic cost of living for the UK.

Percentage change

The table on the next page shows the change in remuneration for 2024/25 compared to 2023/24 for the CEO and for other employees. In order to make a meaningful comparison, 'other employees' includes only those who have been employed for the full two-year period and excludes senior management whose remuneration is set by the Remuneration Committee.

STIP has been compared to the annual bonus paid to the senior management cohort and only reflects the proportion earned in relation to NWL activities.

	Change in CEO remuneration (%)	Change in other employees' remuneration (%)
Salaries and fees	4.6%	6.6%
Benefits in kind	(1.4%)	(9.9%)
STIP / annual bonus	1.3%	5.4%

CEO pay ratio

The Companies (Miscellaneous Reporting) Regulations 2018 introduced new legislation in respect of reporting ratio of CEO pay compared to other employees. The table below shows this information produced in accordance with the legislation.

Year	Method	25th percentile ratio	Median pay ratio	75th percentile ratio
2025	Option A	27:1	20:1	16:1
2024	Option A	25:1	19:1	15:1
2023	Option A	24:1	19:1	16:1
2022	Option A	21:1	16:1	13:1
2021	Option A	21:1	16:1	13:1
2020	Option A	20:1	16:1	12:1
2019	Option A	22:1	17:1	14:1

The Group has chosen Option A (as set out in the said Regulations) for calculating the pay ratio on the basis that it represents the most complete data set. The employees representing each of the percentiles were based on the full year remuneration of people employed throughout the year. Option A, the value of the full-year remuneration of each relevant employee is listed in order from lowest to highest and the values at the 25th, 50th and 75th percentile points identified.

Year	25th percentile employee £'000	Median pay employee £'000	75th percentile employee £'000
Salary component of pay and benefits	33	26	35
Total pay and benefits	36	48	60

Remuneration over time

Over the past ten years, the basic salary of the CEO has increased by the same as, or less than, the average pay award for the majority of employees each year, with the exception of a one-off pay review in 2022. Over the same period, the maximum potential bonus available under the STIP and LTIP has remained a constant proportion of salary. An average award of 74% has been made for the STIP and 42% for the LTIP over the period.

Relative importance of spend on pay

The table below shows total employee costs and dividends paid in the current and prior years, and the year on year change.

Year	2025 £'m	2024 £'m	Change %
Employee costs (**note 6**)	181.6	169.8	8.2
Dividends (**note 9**)	40.4	65.8	(38.6)

2025/26 remuneration targets

2025 STIP Scorecard Measure

At its meeting in January 2020, the Remuneration Committee made changes to the STIP and LTIP to increase the proportion of performance-related executive pay aligned to delivering benefits for our customers to 60%. No changes have been made to the overall structures of the STIP and LTIP for 2025, however, storm overflows (average number of spills per overflow) has been introduced as a STIP measure, C-MeX has been merged into a single measure and D-MeX and repeat sewer flooding have been removed. The balanced scorecard targets for 2025/26 are shown in the table below.

These are internal measures set at stretching levels to drive year on year performance improvements on a path to deliver our 'national leader' vision.

Most of the customer and environment targets are set at a more challenging target than the PC, with the exception of CRI as NWL is currently in a transformation plan to improve performance.

Highlighted measures below indicate areas that NWL committed to more ambitious scorecard measures for 2025 from 2024 to continue to drive our purpose and become the leading water company in the UK.

Stretching targets key:		
IL	Industry Leading	Top performing water company in England and Wales.
UQ	Upper Quartile	Performance in the best 25% of water companies in England and Wales
AA	Above Average	Performance in the best 50% of water companies in England and Wales.
PC	Performance Commitment	Performance target set in our PR19 regulatory price determination from Ofwat.
PC+	Harder than Performance Commitment	More stretching than our Performance Commitment.
TP	Transformation Plan	Performance improvement plan agreed with Defra.

Scorecard measure	Target	Stretching target	% of total STIP potential
Customer			
C-MeX experience[1]	top 2 company	UQ	5
Unplanned interruptions >3 hours (mm:ss per property)[2]	<=4:45	IL/PC+	5
Compliance risk index (number)[2]	<=3	UQ/TP	5
Internal sewer flooding (number)[2]	<=143	UQ/PC+	5
Leakage – NW (Mld)[2]	<=109.7	UQ/PC+	2.5
Leakage – ESW (Mld)[2]	<=53.2	UQ/PC	2.5
Environment[3]			
Storm overflows	<=19.3	AA/PC	5
Discharge permit compliance (EPA)[2]	100%	IL/PC	5
Pollution incidents category 1 & 2[2]	0	IL	5
Greenhouse gas emissions (ktCO2e)[2]	<=197.0	PC+	5
Competitiveness			
NWGL Group EBIT	Budget	N/A	20
NWGL Group distributions	Budget	N/A	20
People			
Employee engagement score (Trust Index) (%)	>=78	N/A	5
Lost time accidents (number)	<=6	N/A	5
Communities			
Ethisphere award	awarded	N/A	5
Total			**100**

[1] Where stretching targets are set which are designed to achieve industry leading performance, the Remuneration Committee has agreed that if the target score is not achieved but actual performance is at an industry leading level and has shown an improvement on prior year performance, the target will be deemed to have been achieved.
[2] The Environment targets are only awarded if the Group achieves a 3* or 4* EPA rating for the year.
[3] The basis of the Greenhouse gas emissions measure will change from 2025/26 reflecting changes in Ofwat's methodology and the inclusion of emissions produced by our chemical and fuel suppliers.

2025 LTIP Scorecard Measure

The LTIP targets for the 2025 scheme are shown in the table below, in accordance with the policy. These are internal measures set at stretching levels so as to drive year on year performance improvements on a path to deliver our 'national leader' vision. This means that they are often more stretching than the regulatory PCs reported in the APR.

Stretching targets key:		
IL	Industry Leading	Top performing water company in England and Wales.
UQ	Upper Quartile	Performance in the best 25% of water companies in England and Wales
AA	Above Average	Performance in the best 50% of water companies in England and Wales.
PC	Performance Commitment	Performance target set in our PR19 regulatory price determination from Ofwat.
PC+	Harder than Performance Commitment	More stretching than our Performance Commitment.
TP	Transformation Plan	Performance improvement plan agreed with Defra.

Scorecard measure	Target	Stretching target	% of total LTIP potential
Customer and Environment			
C-MeX customer service	top 2 company	UQ	10
Unplanned interruptions >3 hours (mm:ss per property)	<=4:45	IL/PC+	10
Compliance risk index (number)	<=3	UQ/TP	10
Internal sewer flooding (number)	<=143	UQ/PC+	10
Leakage – NW (Mld)	<=109.7	UQ/PC	5
Leakage – ESW (Mld)	<=53.2	IL/PC+	5
Pollution incidents category 1 & 2	0	IL	10
Competitiveness			
NWGL Group profit after tax	budget	N/A	20
NWGL Group distributions	budget	N/A	20
Total			**100**

Directors' Remuneration Annual Statement

The Remuneration Committee report has been produced in accordance with section 35A of the Water Industry Act 1991. It also has regard to the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 in respect of directors' remuneration reporting for quoted companies, albeit in the context of a company which is not a listed public limited company.

The Remuneration Committee is committed to complying with the Company's Licence obligation to meet Ofwat's Board leadership, transparency and governance principles on performance related executive pay and ensuring alignment to market practice.

The work of the Remuneration Committee comprises the adoption of principles and standards in relation to executive remuneration and benefits, as well as agreeing individual remuneration packages. All decisions regarding Directors' remuneration are taken by the Remuneration Committee, other than where stated.

Directors' Remuneration Policy

The Remuneration Committee seeks to reward performance in a way that is fair and equitable, achieving a balance between cost and attracting and retaining the talent needed to meet its strategic goals and targets. In order to ensure alignment to market practice, the Remuneration Committee regularly reviews pay in reference to relevant factors, including employment marketplace benchmarking and the implied median remuneration levels. This benchmarking takes place regularly to ensure that, as the marketplace moves, the Remuneration Committee remains aware of any material deviations in market remuneration levels that could impact the Group's ability to attract and retain talent.

Executive Directors

The remuneration of Executive Directors comprises:

- basic salary;
- benefits in kind;
- a performance related STIP;
- annual LTIP awards; and
- pension benefits.

The Executive Remuneration Policy is a total remuneration policy. The Remuneration Committee determines and regularly reviews the mix of these elements. The overall aim is to achieve a total package that is close to the median, with the goal of ensuring members continue to be appropriately incentivised to deliver on the Group's stretching targets and to ensure the Group is able to attract and retain talent. The Remuneration Committee is satisfied that this balance between fixed and performance related remuneration remains appropriate.

A significant proportion of remuneration is linked to Group performance through the short-term and long-term incentive plans, with 51% of the CEO's maximum remuneration being linked to performance, as illustrated on page 84.

The remuneration policy is designed to incentivise performance across all the full range of the Group's strategic themes and not to over-emphasise short-term financial gains.

Service contracts

The service contract of the CEO has a notice period of 12 months from either side. The contract does not contain any specific provisions related to payment for loss of office. Any such payments would be at the discretion of the Remuneration Committee and would take account of the contractual notice period and any STIP payments considered to have been earned. LTIP awards will typically lapse, although the Remuneration Committee may approve payment of outstanding LTIP awards if a Director is considered to be a 'good leaver', for example upon retirement.

INEDs are engaged on a contract for services with a notice period of three months from either side. No payment is made for loss of office other than accrued fees.

The other NEDs do not have service contracts with the Group and receive no payment from the Group.

Approach to remuneration on recruitment

Newly appointed Directors are remunerated in accordance with the policy set out in this report. Service contracts for new Executive Directors have a notice period of six months from either side and for INEDs have a notice period of three months from either side .

Consideration of shareholder views

The Remuneration Committee comprises two shareholder-appointed Directors and three INEDs. In the context of a private company with NWL's ownership structure, this ensures that the views of the shareholder are taken into account when setting executive remuneration, whilst also maintaining a strong independent presence on the Committee.

Consideration of employment conditions elsewhere in the Company

The Remuneration Committee reviews Directors' pay on an annual basis, taking account of market trend information and pay awards for the wider workforce in the Group. Whilst Directors' remuneration is not specifically consulted on with employees, in general, annual pay awards for Directors reflect the pay awards for the workforce, which are subject to consultation under the Group's Employee Relations Framework. The incentive pay arrangements for executives are not mirrored elsewhere, but are considered to be relatively modest in comparison with market comparisons.

Directors' report

Directors

The Directors who served during the year, and to the date of signing, are listed on pages 63 to 65 of the Governance Report.

Disclosures provided in the Strategic Report

Future developments which may impact on the Group are described in the CEO's Report and in the Strategic Report.

Our approach to research and innovation is described in the Performance Review section of our Strategic Report under the Competitiveness heading and the costs of research and development are disclosed in note 3 of the Financial Statements.

Our policies in respect of the employment of disabled persons are set out in the Performance Review section of our Strategic Report under Diversity and Equal opportunities on pages 44.

Information on results and dividends and capital structure and equity are contained in the Financial Performance and Structure section of the Strategic Report. Our policies in relation to the use of financial instruments and treasury operations are set out in the same section under the 'Treasury policies' heading.

The Companies (Miscellaneous Reporting) Regulations 2018, effective for years beginning on or after 1 January 2019, set out revised requirements for reporting on engagement with employees, suppliers, customers and others in a business relationship with the Group. Our approach to stakeholder engagement is set out in the Our Stakeholders section of our Strategic Report on pages 13 to 16, and summarised on our Section 172 Statement on pages 17 to 19.

Further information in relation to employee engagement is set out in the Performance Review section of our Strategic Report under the People heading on pages 42 to 45.

Statement of corporate governance arrangements

The Group's corporate governance arrangements are described on pages 67 to 70 of the Governance Report. In accordance with the requirements of our Licence, we report our corporate governance arrangements against the 2019 Objectives set by Ofwat. We also report compliance with the Wates Principles, which are appropriate for large privately owned companies.

Political donations

NWL does not support any political party and we do not, directly or through any subsidiary, make what are commonly regarded as donations to any political party or other political organisation. However, the wide definition of donations in the Political Parties, Elections and Referendums Act 2000 covers activities which form part of the necessary relationship between the Group and political parties and political organisations. These activities include attending party conferences, as these provide the best opportunity to meet a range of stakeholders, both national and local, to explain our activities, as well as local meetings with MPs and their agents. During the year, no external costs were associated with these activities, however, Group representatives attended the party conferences of the Labour and Conservative parties.

Energy and Carbon reporting

As part of our PR19 Business Plan we have clearly defined and incentivised performance commitments relating to Net Zero. Our approach to reducing energy emissions is described in more detail in the Performance Review section of our Strategic Report under the Environment heading on page 29.

For our regulatory performance, emissions are calculated using the industry-standard approach (the UK Water Industry Research Ltd Carbon Accounting Workbook) using 'market-based' reporting which allows for the purchase of green energy through the electricity and gas networks. Our emissions have been externally assured in accordance with ISO 14064-1, to ensure validity and transparency.

Following this calculation method, our baseline emissions in 2019/20 were 68.6ktCO2e. Our total net operational GHG emissions for the year ending 31 March 2025 reduced to 15.9ktCO2e, a reduction of 52.7ktCO2e (77%), significantly outperforming our regulatory PC reduction target.

The table below summarises our emissions for the reporting year, the previous year and the baseline year of 2019/20 showing both market-based and location-based performance measures as reported in the Carbon Accounting Workbook, illustrating our use of market instruments.

Annual operational GHG emissions		Location-based			Market-based		
$ktCO_2e$		2024/25	2023/24	2019/20	2024/25	2023/24	2019/20
Scope 1	Direct emissions from burning of fuels	39.3	37.9	28.9	1.9	1.8	28.9
	Process and fugitive emissions	27.0	28.7	28.8	27.0	28.7	28.8
	Transport in company owned/leased vehicles	6.7	6.1	8.3	6.7	6.1	8.3
Scope 2	Purchased electricity	69.7	72.0	86.9	-	-	-
Scope 3	Public transport and travel in private vehicles	0.9	0.9	0.9	0.9	0.9	0.9
	Outsourced activities	2.8	1.8	2.1	2.8	1.8	2.1
	Electricity transmission and distribution	6.2	6.2	7.4	-	-	-
Gross operational emissions		152.6	153.6	163.3	39.3	39.3	69.0
Exports	Renewable electricity generated and exported	(0.3)	(0.2)	(0.2)	(0.6)	(0.3)	(0.4)
	Biomethane generated and exported	(22.8)	(20.0)	(15.4)	(22.8)	(20.0)	-
Net operational emissions		129.5	133.4	147.7	15.9	19.0	68.6

As well as the emissions reported in the table above, we measure additional emissions categories. Significant sources not reported here include chemical use, purchased goods and services and construction activity. Additional data for this will be published during 2025.

In 2024/25 the Group used 615GWh of energy, compared to 530GWh in the baseline year of 2019/20, including:

- 340GWh of grid-supplied electricity used for pumping, treatment and support functions (2019/20: 340GWh);
- 205GWh of natural gas used for treatment and support functions (2019/20: 148GWh);
- 34GWh of road fuels used (2019/20: 38GWh); and
- 27GWh of biogas (2019/20: 35GWh).

In addition to gross and net emissions we also monitor the emissions intensity of our operations using three measures, one relating to the water service and two for wastewater. These measures can vary depending on emissions performance and levels of rainfall or customer demand.

Annual operational GHG emissions	Location-based			Market-based		
$kgCO_2e/Ml$	2024/25	2023/24	2019/20	2024/25	2023/24	2019/20
CO2e per Ml of water	120	121	144	2	3	2
CO2e per Ml of sewage treated (flow to full treatment)	247	191	253	77	61	155
CO2e per Ml of sewage treated (water distribution input)	503	515	517	157	165	316

Directors' indemnification

The Group has maintained Directors' and Officers' (D&O) insurance cover throughout the year to 31 March 2025, provided under group-wide D&O insurance placed by CKHH.

On 21 March 2017 NWGL entered into a deed of indemnity to grant the Directors of NWGL and its subsidiaries further protection against liability to third parties, subject to the conditions set out in the Companies Act 2006, and this remains in place.

Directors' statement

As required under s418 of the Companies Act 2006, so far as each current Director is aware, there is no relevant audit information of which the Group's auditor is unaware and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditor

Pursuant to s487 of the Companies Act 2006, Deloitte LLP is deemed to be re-appointed as the Company's auditor for the ensuing year.

Financial statements preparation and going concern

The Directors confirm that, in their opinion, the Group has sufficient financial resources and facilities available to enable it to carry out its activities for at least the next 12 months. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

In arriving at their decision, the Directors have taken into account:

- the financial strength of the Group at the balance sheet date and financial performance, which is in line with expectations and reviewed at each Board meeting, most recently in April 2025;
- the key financial ratios over the next 12 month planning horizon, as reflected in investment grade credit ratings;
- £90m proceeds from new debt issuance, received after the balance sheet date, and £50m term loan signed after the balance sheet date;
- the renewal of committed bank facilities as back up liquidity, maturing in April 2028 with options to extend to April 2030, with a value of £500m and capacity to increase to £600m. £75m was drawn on the existing bank facilities at 31 March 2025;
- the £6bn EMTN programme, renewed in March 2025, of which £1.3bn has been utilised to date, and the near-term Financing Plan, approved by the Board in April 2025, which will enable the Group to raise sufficient debt financing to meet its needs for at least the next 12 months; and
- the Group's formal governance and risk management arrangements which are monitored by the Audit Committee, R&CSC and Board.

In making this assessment, the Board has considered cash flows and funding requirements over short and medium term time horizons, consistent with the longer term baseline plan assessed for the viability statement (see page 93), and taking account of operational, capital investment and debt refinancing requirements.

This has confirmed that the Company will require additional funding, from debt and/or equity, in addition to the facilities already in place. However, the Board is confident that it can continue to raise funding from the debt markets or other sources to meet these requirements.

For the going concern and viability statement assessments, the Board has considered a range of adverse scenarios, detailed on pages 94 to 95, some of which could result in a credit rating downgrade. The Board would not expect this to have a material impact on the availability or cost of borrowing. If required, the Board would consider mitigating actions which could include deferral of capital investment and reduction of dividend payments.

Our PR24 Business Plan identified the need for new equity investment of an estimated £400m to fund increased investment during AMP8, the timing of such being determined so as to support the retention of two strong investment grade credit ratings. As the ultimate controllers of NWL, our shareholders are aware of the Board's obligations under condition P of the Licence to ensure that NWL has sufficient financial resources to enable it to carry out its functions in a sustainable manner and to maintain two strong investment grade credit ratings. However, given the uncertainty over the ongoing CMA redetermination process, we do not expect new equity capital to be provided until after the CMA's final decision, and by 31 March 2026 at the latest.

Viability statement

The Directors confirm that over the long-term the business remains financially resilient but have concerns about the rate of return at PR24.

Financial forecasts over longer-term timeframes are inherently subject to more risk that the assumptions adopted will not be realised. As set out above, the Directors have confirmed that the business remains a going concern. In considering the longer-term viability, the Directors note that the Board considered that the PR24 FD did not strike the right balance between the need for investment and the pressure on bills and did not provide a sufficiently attractive return for equity investors. Consequently, the Board requested Ofwat to refer the FD to the CMA for redetermination, a process which is ongoing.

This statement and the supporting analysis takes account of the FD for 2025-30 and latest forecasts of investment requirements for the 2030-35 period, consistent with our long-term strategy. This is still subject to review by the CMA process for the next 5 years and by Ofwat in its PR29 price review for the following 5 years. The longer-term view assumes that the 2029 price review will provide a sufficient rate of return to enable the Company to finance its functions, as well as setting stretching but achievable targets and allowing sufficient totex to enable an efficient company to meet its obligations and service level targets. This is consistent with Ofwat's statutory duty to ensure that efficient companies are financeable.

The increased scale of this investment programme in AMP8 and beyond creates a need for additional equity investment under most scenarios. The timing of additional equity will be determined so as to support the retention of two strong investment grade credit ratings. However, given the uncertainty over the ongoing CMA redetermination process, we do not expect new equity capital to be provided until after the CMA's final decision, and by 31 March 2026 at the latest.

The Directors have assessed the future prospects of the Group and consider that it should be able to manage its business risks, continue to operate and meet its liabilities as they fall due over the 10 years to March 2035 given the long-term nature of the business. Whilst the Directors consider that the business will remain financeable with regards to its obligations to debt financing and credit ratings, they remain significantly concerned that the returns Ofwat has set out in its PR24 FD are not sufficient to attract the necessary investment that is likely to be needed to meet the new capital needs and, in the round, offer reasonable returns on that investment.

Following from the above, our Board can confirm that we would be financeable over the long term to 2035 specifically in relation to debt. However, we do not think that Ofwat's FD weighted cost of capital is consistent with the risks faced by our equity investors.

This confirmation is given based on the latest information and evidence available to NWL

In arriving at their conclusion, the Directors have taken into account:

- the Licence which is in place on a rolling 25 year basis;
- the controls and protections provided by the independent regulatory regime including the primary duty of Ofwat to ensure that efficient companies are able to finance their functions, including earning a reasonable return on the capital invested;
- revenue from wholesale and household retail price controls to March 2030 provided by the PR24 FD, which may be subject to revision by the CMA redetermination;
- the financial strength of the Group at the balance sheet date and the fact that the Group has a £500m committed bank facility as back up liquidity, of which £75m was drawn at 31 March 2025, maturing in April 2028 with options to extend until April 2030, and a further of £90m new debt which was received after the balance sheet date, with a further £50m term loan signed after the balance sheet date;
- the £6bn EMTN programme, renewed in March 2025, of which £1.3bn has been utilised to date, which enables the Group to raise new financing in a timely manner as required;
- the key financial ratios over the planning horizon of the Group's financial forecast to March 2030 and extended forecast to March 2035, as reflected in investment grade credit ratings;
- the submitted PR24 business plan, and ongoing activities to address both the deliverability challenge and the financeability challenge created by the increased scale of the AMP8 capital programme;
- the Board's dividend policy;
- the extent to which equity could be raised in NWL if required;
- the principal risks and uncertainties facing the Group and the mitigating controls, as described on pages 54 to 59, which are monitored by the Audit Committee, R&CSC and Board; and
- the work of the Audit Committee, on behalf of the Board, to review and approve the baseline plan and stress test scenarios and to review the outputs of the stress testing in the context of the Group's financial resilience.

To support the Directors in their assessment of viability, the Audit Committee carried out a thorough review process

This included discussing and approving appropriate updates to the Board approved plan to reflect latest economic projections, in particular inflation assumptions and discussing an appropriate forward testing period. This concluded that the base forward plan should be updated to reflect the PR24 FD and latest inflation forecasts.

The Audit Committee also discussed and approved the range and severity of stress test scenarios to be applied to the baseline plan, taking account of the principal risks of the business. The stress tests are set out in detail below. The Audit Committee then reviewed the detailed outcomes of the stress testing and the potential impact on the Group's key financial ratios and discussed appropriate mitigating actions which could be taken if the need arose. Following this process, the Audit Committee recommended approval of the viability statement to the Board.

The Directors have chosen a period of 10 years to March 2035 to assess the viability of the Group

This period has been chosen to align with the regulatory price review period to March 2030 and forecasts for the following price review to March 2035, which are consistent with our long-term strategy. Whilst the Directors do not believe that it is possible to test financial resilience beyond March 2030 to the same level of robust detail, given uncertainty of revenue and returns past this point, they have performed an assessment of viability beyond the PR24 price control period against an extended plan applying reasonable assumptions for the PR29 price review, which include a sufficient rate of return to enable the Company to finance its functions. Whilst the investment horizon in the sector is around 20 years, following the concept of asset and liability matching, the Board considered that 10 years is a long-term and pragmatic period over which reasonable judgements about the future can be made.

The financial forecast has been stress tested under a number of severe adverse scenarios linked to the Group's principal risks.

The scenarios were selected after considering the principal risks and uncertainties facing the Group and the key economic and financial variables which could impact on the forecast. The combined impact of multiple scenarios has also been tested.

The stress tests were assessed in the context of NWL's overarching financial objective of maintaining prudent investment grade credit ratings consistent with its Licence, and the Board's target of retaining regulatory gearing of around 70%. Whilst the viability statement relates specifically to NWL, both rating agencies take account of NWGL metrics in their methodologies, therefore, the impact on both NWL and NWGL financial plans have been considered.

The table on the next page sets out the stress tests performed, how they map to the principal risks, the severity of the adverse scenarios applied, the outcome in the context of the key financial ratios and potential mitigating actions where required.

Ref	Stress Test	Principal Risk	Scenarios	Outcome	Mitigation
1	Lower inflation, reducing allowed revenue and RCV growth	Regulatory and political changes	1% per annum lower than base forecast, sustained over period	No material impact on credit ratios in AMP8 Limited impact on gearing into AMP9	Strong cost management Board's dividend policy Additional equity raising
2	Increased borrowing costs for raising new and refinanced debt	Regulatory and political changes Funding and liquidity risk Financial performance	2% higher than base forecast	Lower interest cover which, without mitigation, could result in a credit rating downgrade in AMP8. Impacts into AMP9 should be mitigated by higher cost of debt at PR29	Strong cost management Efficient financing and index-linked debt Engagement with rating agencies Board's dividend policy Additional equity raising
3	Defined benefit pension scheme deficit increases impacting credit ratios	Regulatory and political changes	Additional £100m deficit	No material impact on gearing or credit ratios	None required
4	Higher operating costs, reflecting costs of delivering service levels to customers and the environment	Customer and stakeholder trust and confidence Water/wastewater service failure Supply chain failure Asset health deterioration Effect of climate change Regulatory and political changes Financial performance	10% increase in current planned spend	Lower interest cover which, without mitigation, could result in a credit rating downgrade and potential dividend lock-up, though still at investment grade	Strong cost management Outcome performance focus Efficient financing Engagement with rating agencies Board's dividend policy Additional equity raising
5	Higher capital costs, reflecting input cost pressures and maintaining asset health		10% increase in current planned investment	No material impact on credit ratios in AMP8 Limited impact on gearing into AMP9 which, without mitigation, could result in a credit rating downgrade, though still at investment grade	
6	Higher totex costs		Combination of scenarios 4 and 5	Increased gearing and lower interest cover which, without mitigation, could result in a credit rating downgrade and potential dividend lock-up, though still at investment grade	
7	Impact of incident crystallising one of the principal risks identified on pages 54 to 59	Water/wastewater service failure Cyber security Asset health deterioration	One off impact of £50m operating cost	No material sustained impact on gearing or credit ratios Reputational impact could affect stakeholder views of the business over longer term	None required (Outcome performance focus maintained)

Ref	Stress Test	Principal Risk	Scenarios	Outcome	Mitigation
8	Regulatory penalty for poor performance or non-compliance with obligations	Health & safety Water/wastewater service failure Asset health deterioration	One off penalty of 10% of regulated revenue	No material sustained impact on gearing or credit ratios Reputational impact could affect stakeholder views of the business over longer term	None required (Outcome performance focus maintained)
9	Sustained deterioration in household revenue collection due to cost of living pressures	Customer and stakeholder trust and confidence	Up to 2% pa	No material impact on gearing or credit ratios	None required
10	Net Outcome Delivery Incentive (ODI) penalty; significant penalty in one year due to failures to meet regulatory PCs	Water/wastewater service failure Supply chain failure Asset health deterioration Effect of climate change	3% of RoRE	No material sustained impact on gearing or credit ratios	None required (Outcome performance focus maintained)
11	Net ODI penalty; sustained under-performance over period	Water/wastewater service failure Supply chain failure Asset health deterioration Effect of climate change	1% of RoRE each year	No material impact on credit ratios in AMP8 Limited impact on gearing into AMP9 which, without mitigation, could result in a credit rating downgrade	Outcome performance focus Engagement with rating agencies Board's dividend policy Additional equity raising
12	Combined impact of adverse economic movements		Scenarios 1, and 2	Lower interest cover which, without mitigation, could result in a credit rating downgrade in AMP8 Impacts into AMP9 should be mitigated by higher cost of debt at PR29	Strong cost management Efficient financing and index-linked debt Engagement with rating agencies Board's dividend policy Additional equity raising
13	Combined impact of adverse company performance		Scenarios 6, 8 and 10	Lower interest cover which, without mitigation, could result in a credit rating downgrade and potential dividend lock-up, though still at investment grade	Strong cost management Outcome performance focus Efficient financing and index-linked debt Engagement with rating agencies Board's dividend policy Additional equity raising

The baseline plan is compatible with retaining the Group's investment grade credit ratings

None of the stress test scenarios undermined the Group's long term financial resilience. However, certain scenarios, specifically higher operating and capital costs, a substantial increase in the cost of raising new finance or sustained ODI penalties, indicated a risk of a credit rating downgrade and potential dividend lock up, though still at investment grade. In the Board's opinion, even the most severe scenarios were not indicative of falling below investment grade credit rating.

To the extent that any of these scenarios, in isolation or combination, would place retention of the Group's investment grade credit rating or liquidity position at risk, the Board would seek to take mitigating actions. This includes:

- **Strong cost management** - additional controls on discretionary costs and phasing of capital expenditure, taking care not to impact on service levels to customers;
- **Outcome performance focus** - ongoing focus on delivering regulatory performance commitments to benefit customers and the environment and generate net rewards/avoid penalties;
- **Efficient financing** - flexible and efficient financing of new debt to minimise interest charges, including increased proportion of index-linked debt if appropriate;
- **Alternative financing approaches** – if normal sources of financing are unavailable, consider alternative approaches, including extending revolving credit facilities or short term shareholder finance;
- **Engagement with rating agencies** - maintain open engagement with rating agencies to allow informed, holistic assessments of credit quality to be made;
- **Board's dividend policy** - application of the Board's dividend policy, which allows equity to be retained in NWL if required; and
- **Additional equity** - discussions with shareholders in respect of any equity raising that may be required.

The business has not required an additional equity injection up to this point

In the viability statement last year, we highlighted the need within the business for new equity investment in almost all future investment scenarios. All equity investors have choices about where they invest their capital and the market for that investment is global and competitive. Having reviewed the Ofwat FD our Board decided that they could not accept it and requested a redetermination from the CMA to reset the price control, including the allowed equity return. The Ofwat FD provided a cost of equity set at 5.1%, plus CPIH inflation, and our Board and shareholders do not consider that this return is likely to be sufficiently attractive to reflect the risk they would be taking with their equity injection when compared to the returns available on lower risk alternative investments.

Given the uncertainty over the ongoing CMA redetermination process, we do not expect new equity capital to be provided until after the CMA's final decision, and by 31 March 2026 at the latest. As part of the CMA's decisions it may also choose to reset other aspects of the determination such as cost allowances, service performance targets and incentives that will be available to companies which we will also need to consider as part of the overall package in the round.

As the ultimate controllers of Northumbrian Water Limited our shareholders are aware of the Board's obligations under the licence, including condition P, to ensure NWL has sufficient financial resources to enable it to carry out its functions in a sustainable manner and to maintain two strong investment grade credit ratings. Whilst the business will need new equity in the future, we currently have a strong equity buffer and strong credit ratings. We are getting on with the important work delivering the substantial investment programme at pace regardless of the CMA outcome and will revisit the equity injection following the CMA's final decision. Each shareholder confirms that the ongoing financial resilience of Northumbrian Water is of significant importance to them, and subject to the approval of each shareholders' investment committee, support will be provided on its merits in each case.

Assurance

The Board engaged Deloitte LLP to provide third party assurance, in the form of agreed upon procedures.

Fair, balanced and understandable

The Directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for stakeholders to assess the Group's performance, business model and strategy. In reaching this conclusion, the Board has taken advice from the Audit Committee which has considered the process by which the Annual Report and Financial Statements has been produced as well as reviewing and commenting on the Report.

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors have elected to prepare the Group Financial Statements in accordance with United Kingdom adopted international accounting standards. The Directors have chosen to prepare the parent company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing parent company Financial Statements, the Directors are required to:

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

In preparing the Group Financial Statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

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

Approved by the Board and signed on its behalf:

R Somerville
Company Secretary

14 July 2025

Registered office
Northumbria House
Abbey Road
Pity Me
Durham
DH1 5FJ

Registered in England and Wales
Registered no: 02366703

Consolidated Financial Statements

Consolidated Income Statement
for the year ended 31 March 2025

	Note	2025 £'m	Restated* 2024 £'m
Continuing operations			
Revenue	2	1,017.2	918.9
Operating costs	3	(726.3)	(685.7)
Operating profit		**290.9**	**233.2**
Finance costs	7	(183.7)	(227.9)
Finance income	7	6.5	17.7
Net finance costs		(177.2)	(210.2)
Profit before taxation		**113.7**	**23.0**
Taxation	8a	(29.4)	(6.5)
Profit for the year attributable to the shareholder of the Company		**84.3**	**16.5**

*The prior year results have been restated to reflect an adjustment to accrued accretion charges for certain index-linked arrangements (see note 28).

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2025

	Note	2025 £'m	Restated 2024 £'m
Profit for the year		**84.3**	**16.5**
Items that will not be reclassified subsequently to the income statement:			
Actuarial loss	25	(24.7)	(53.6)
Current tax related to company contributions to defined benefit pension scheme	8(b)	4.6	12.7
Deferred tax related to company contributions to defined benefit pension scheme	8(b)	(5.4)	(12.9)
Deferred tax related to actuarial losses on pension scheme	8(b)	6.7	13.6
Items that may be reclassified subsequently to income statement:			
Loss on cash flow hedges taken to equity		(4.4)	(2.2)
Deferred tax on cash flow hedge loss	8(b)	1.1	0.6
Other comprehensive expense		**(22.1)**	**(41.8)**
Total comprehensive income/(expense) for the year attributable to the shareholder of the Company		**62.2**	**(25.3)**

Consolidated Balance Sheet

at 31 March 2025 (Registered number 02366703)

	Note	2025 £'m	Restated* 2024 £'m	Restated* 2023 £'m
Non-current assets				
Intangible assets	10	57.4	55.2	55.0
Property, plant and equipment	11	5,746.4	5,307.2	4,998.2
Financial investments	12	11.7	11.6	11.5
Pension Asset	25	-	-	17.9
Non-current assets		**5,815.5**	**5,374.0**	**5,082.6**
Current assets				
Inventories	13	14.9	10.3	8.0
Trade and other receivables	14	278.4	264.3	246.5
Derivatives	20	2.8	-	-
Cash and cash equivalents	22	164.6	50.2	156.0
Current assets		**460.7**	**324.8**	**410.5**
Total assets		**6,276.2**	**5,698.8**	**5,493.1**
Current liabilities				
Trade and other payables	15	(313.4)	(270.0)	(222.7)
Borrowings	16	(341.6)	(214.3)	(211.8)
Derivatives	20	(77.8)	-	-
Provisions	18	(0.5)	(0.1)	(0.1)
Current liabilities		**(733.3)**	**(484.4)**	**(434.6)**
Non-current liabilities				
Borrowings	16	(4,056.4)	(3,752.8)	(3,558.0)
Provisions	18	(5.6)	(3.8)	(3.8)
Deferred tax liabilities	8(d)	(642.3)	(618.9)	(625.8)
Pension liability	25	(26.3)	(16.2)	-
Derivatives	20	(95.5)	(158.7)	(147.6)
Grants and deferred income	19	(552.0)	(521.0)	(489.2)
Non-current liabilities		**(5,378.1)**	**(5,071.4)**	**(4,824.4)**
Total liabilities		**(6,111.4)**	**(5,555.8)**	**(5,259.0)**
Net assets		**164.8**	**143.0**	**234.1**
Capital and reserves				
Share capital	21	122.7	122.7	122.7
Cash flow hedge reserve		2.1	5.4	7.0
Profit and loss account		40.0	14.9	104.4
Equity attributable to the shareholder of the Company		**164.8**	**143.0**	**234.1**

*The prior year balances have been restated to reflect the adjustment in respect of overstatements in the accrued accretion charges for the indexed-linked arrangements in previous financial statements, please see note 28.

Approved by the Board of Directors on 14 July 2025 and signed on their behalf by: **H Mottram** H Mottram

Consolidated Statement of Changes in Equity

for the year ended 31 March 2025

	Share capital £'m	Cash flow hedge reserve £'m	Retained earnings £'m	Total equity £'m
At 31 March 2023	**122.7**	**7.0**	**39.2**	**168.9**
Prior year adjustments (note 28)	-	-	65.2	65.2
At 1 April 2023	**122.7**	**7.0**	**104.4**	**234.1**
Loss for the year	-	-	(1.7)	(1.7)
Prior year adjustments (note 28)	-	-	18.2	18.2
Other comprehensive expense	-	(1.6)	(40.2)	(41.8)
Total comprehensive expense	**-**	**(1.6)**	**(23.7)**	**(25.3)**
Dividends	-	-	(65.8)	(65.8)
At 31 March 2024	**122.7**	**5.4**	**14.9**	**143.0**
Profit for the year	-	-	84.3	84.3
Other comprehensive expense	-	(3.3)	(18.8)	(22.1)
Total comprehensive expense for the year	**-**	**(3.3)**	**65.5**	**62.2**
Dividends	-	-	(40.4)	(40.4)
At 31 March 2025	**122.7**	**2.1**	**40.0**	**164.8**

Other comprehensive income and expense taken to the cash flow hedge reserve arises from the cumulative amount of gains or losses on hedging instruments, and associated deferred tax, taken directly to equity under the hedge accounting provisions of International Accounting Standard (IAS) 39.

Other comprehensive income and expense taken to retained earnings arises from actuarial revaluations, and associated deferred tax, on the Group's defined benefit pension scheme taken directly to equity.

Consolidated Cash Flow Statement

for the year ended 31 March 2025

	Note	2025 £'m	2024 £'m
Operating activities			
Reconciliation of profit before interest to net cash flows from operating activities			
Profit before interest		290.9	233.2
Depreciation and impairment charges		165.2	156.7
Other non-cash charges and credits		(5.2)	(6.4)
Other provisions movement		(0.5)	(0.4)
Pension charge less pension contributions		(15.3)	(18.7)
Capital grants received		13.3	14.1
Increase in inventories		(4.6)	(2.3)
Increase in trade and other receivables		(13.4)	(35.2)
Increase in trade and other payables		28.1	17.5
Cash generated from operations		**458.5**	**358.5**
Interest paid		(159.7)	(141.8)
Interest received on hedged swaps		1.8	-
Income taxes paid		0.3	17.9
Net cash flows from operating activities		**300.9**	**234.6**
Investing activities			
Interest received		10.7	2.3
Proceeds on disposal of property, plant and equipment		1.2	1.2
Movement in financial investment		(0.1)	(0.1)
Purchase of property, plant and equipment and intangible assets		(547.0)	(396.6)
Net cash flows used in investing activities		**(535.2)**	**(393.2)**
Financing activities			
New borrowings		447.9	154.2
Net movement in internal borrowings		(18.5)	25.5
Net movements in Revolving Credit Facility		(20.0)	95.0
Net movement in overdraft		17.7	(122.6)
Dividends paid to equity shareholders		(40.4)	(65.8)
Repayment of borrowings		(33.7)	(32.9)
Payment of principal in respect of leases		(4.3)	(0.6)
Net cash flows generated from / (used in) financing activities		**348.7**	**52.8**
Net increase/(decrease) in cash and cash equivalents in the period		**114.4**	**(105.8)**
Cash and cash equivalents at start of year	22	50.2	156.0
Cash and cash equivalents at end of year		**164.6**	**50.2**

Additional cash flow information is included in note 22.

Notes to the consolidated financial statements

for the year ended 31 March 2025

1. Accounting policies

The financial statements have been prepared in accordance with United Kingdom adopted international accounting standards.

NWL is incorporated in the UK under the Companies Act 2006. The Company is a private company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 97. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 10.

The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest one hundred thousand pounds (£0.1m) except where otherwise indicated. The Group does not use supplier financing arrangements.

The Group has adopted a number of standards, amendments to standards and interpretations during the year. There were no material impacts on the financial statements. A prior year adjustment has been made in respect of overstatements in the accrued accretion charges for the index-linked arrangements of certain borrowings in previous financial statements (see note 28).

(a) Basis of consolidation

The consolidated financial statements have been prepared under the historical cost convention as modified by financial instruments recognised at fair value. The consolidated financial statements include the Company and its subsidiary undertakings.

The results of subsidiaries acquired during the period are included from the date of their acquisition. The results of subsidiaries disposed of during the period are included to the date of their disposal. Inter-segment revenue and profits are eliminated fully on consolidation.

Where necessary, adjustments are made to bring the accounting policies used under relevant local GAAP in the individual financial statements of the Company, subsidiaries and jointly controlled entities into line with those used by the Group under IFRS.

NWL is a partner in Northumbrian Water Company 1 Scottish Limited Partnership and Northumbrian Water Company 2 Scottish Limited Partnership, registered in Scotland. These entities are included in the consolidated accounts therefore the Company has taken advantage of the exemption conferred by Regulation 7 of The Partnership (Accounts) Regulations 2008 from the requirements of Regulations 4 to 6.

(b) Going concern

The Financial Statements have been prepared on a going concern basis, having considered the principal risks and uncertainties, which assumes that the Group will have adequate funding to meet its liabilities as they fall due in the foreseeable future. As at 31 March 2025, the Group had net current liabilities of £272.6m (2024: £159.6m).

The Directors have reviewed cash flow requirements and other factors, as described in the going concern statement on page 92 of the Directors' Report, in particular the £450m committed bank facility, which was £375m undrawn at 31 March 2025 and extended to £500m after the balance sheet date, and the £90m of new loans received and the £50m term loan signed, also after the balance sheet date. as described in the going concern statement on page 92 of the Directors' Report. Accordingly, the Directors believe it is appropriate to prepare the financial statements on a going concern basis.

(c) Revenue

Revenue, which excludes Value Added Tax, represents the income receivable in the ordinary course of business for services provided within the UK. In accordance with IFRS 15 Revenue from Contracts with Customers revenue is recognised as performance obligations to the customer are satisfied.

The Group's principal source of revenue is from water and wastewater charges to customers, which are recognised over the period which the services are provided. For volumetric charges to measured customers, revenue is recognised as the service is supplied. For measured charges which have not yet been billed, an accrual is made based on an estimate of consumption. Wholesale charges for non-household customers are estimated on the basis of market information provided by Market Operator Services Limited.

A secondary source of revenue is contributions to capital investment, particularly from developers.

For contributions related to the connection of new properties to the Group's networks, comprising infrastructure charges, new connection charges, requisitioned mains and sewers and adopted assets, the Group considers that these activities form a combined performance obligation that is not distinct from the ongoing provision of water and wastewater services through the new connection. On this basis, these contributions are recognised as deferred income and amortised to the income statement over the expected useful life of the connection, per note 1(g).

For other contributions to capital investment, most significantly mains and sewer diversions, the Group considers that the performance obligation is satisfied upon completion of the investment, which will typically be the point at which the associated asset is brought into use. On this basis, these contributions are recognised in full in the income statement upon satisfaction of the performance obligation. Contributions received before the performance obligation is satisfied are recorded as receipts in advance.

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

(d) Intangible assets

Intangible assets, primarily comprising computer software, are recognised at cost less accumulated amortisation and any provision for impairment. Computer software is amortised evenly over its estimated economic life of 2 to 25 years. Intangible assets in development are not amortised until commissioned. Amortisation is charged to the income statement through operating costs.

Expenditure on internally developed intangible assets, excluding development costs, is taken to the income statement in the period in which it is incurred. Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Development expenditure is recognised as an intangible asset only after its technical feasibility and commercial viability can be demonstrated, the availability of adequate technical and financial resources and an intention to complete the project have been confirmed and the correlation between development costs and future revenues has been established.

In accordance with IFRIC guidance regarding 'Customer's Right to Receive Access to the Supplier's Software Hosted on the Cloud' and 'Configuration or Customisation Costs in a Cloud Computing Arrangement', costs of configuring and implementing 'software-as-a-service' systems, where the Group does not control the asset and the services are not provided by the SaaS provider, are expensed to the income statement in the year in which they are incurred.

(e) Property, plant and equipment

Property, plant and equipment, including assets in the course of construction, comprise infrastructure assets (being mains and sewers, impounding and pumped raw water storage reservoirs, dams, sludge pipelines and sea outfalls) and other assets (including properties, vehicles and above ground plant and equipment).

Purchased property, plant and equipment are included at cost less accumulated depreciation and any provision for impairment. Cost comprises the aggregate amount incurred and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Where assets are constructed by a developer and adopted by NWL at no cost to the Group, the assets are recognised in the balance sheet at their fair value on the date of the transfer and an equivalent value is recognised in deferred income, in accordance with IFRIC 18 Transfers of Assets from Customers. The fair value is based on the average cost to the Group of constructing an equivalent asset.

Upon their initial recognition, right-of-use assets are valued at the initial measurement of the corresponding lease liability (note 1(h)), less lease payments made at or before the commencement day, any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right of-use assets are presented as a separate line in note 11.

Freehold land is not depreciated. Other assets are depreciated evenly over their estimated economic lives, which are principally as follows:

Freehold buildings	**30-60 years**
Operational structures, plant and machinery	**4-92 years**
Infrastructure assets (see below)	**4-200 years**
Fixtures, fittings, tools and equipment	**4-25 years**

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and, where adjustments are required, these are made prospectively.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Assets in the course of construction are not depreciated until commissioned.

Infrastructure assets

Infrastructure assets comprise a network of systems being mains and sewers, reservoirs, dams and sea outfalls.

Expenditure on infrastructure assets which enhances the asset base is treated as fixed asset additions while maintenance expenditure which does not enhance the asset base is charged as an operating cost.

Infrastructure assets are depreciated evenly to their estimated residual values over their estimated economic lives, which are principally as follows

Dams and impounding reservoirs	**150 years**
Water mains	**100 years**
Sea outfalls	**60 years**
Sewers	**200 years**
Dedicated pipelines	**4-20 years**

(f) Financial investments

Financial investments comprise a guaranteed investment contract (GIC). The GIC represents cash held on a long term deposit, related to the Kielder securitisation. The GIC is assessed at each balance sheet date, although is very low risk due to the securitisation structure, with any expected credit loss taken to the income statement in the year (note 12).

(g) Grants and contributions

Grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Revenue grants are credited to the income statement in the period to which they relate.

Grants and contributions related to the connection of new properties to the Group's networks, comprising infrastructure charges, new connection charges, requisitioned mains and sewers and adopted assets, are recognised as deferred income and amortised to the income statement over the expected useful life of the connection, as explained in note 1(c).

Other grants and contributions to capital investment, most significantly mains and sewer diversions, are recognised in full in the income statement upon satisfaction of the performance obligation to the customer, which is the point at which the associated asset is brought into use. Up to this point, any contributions received are reported as receipts in advance.

(h) Leases

The Group assesses whether a contract is or contains a lease, at the inception of a new contract and recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented within Borrowings in the Balance sheet and as a separate line within note 16.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in operating costs in the Income Statement.

(i) Inventories

Inventories are stated at cost less any provision necessary to recognise damage and obsolescence. Inventory is charged at average cost upon use.

(j) Pension costs

The Company is the principal employer of the NWPS, a defined benefit scheme which is closed to future accrual.

The present value of the defined benefit obligation is determined using the projected unit credit method, which attributes entitlement to benefits to the current and prior periods and is based on actuarial advice. Past service costs are recognised in the income statement on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs. Net interest is calculated by applying the discount rate to the net defined asset or liability.

The service cost and scheme expenses are disclosed in manpower costs and the net interest expense is disclosed within finance costs.

Actuarial gains and losses on experience adjustments and changes in actuarial assumptions are recognised in full in the period in which they occur in the statement of comprehensive income.

The Group participates in a defined contribution pension arrangement. The costs of the defined contribution scheme are charged to the income statement in the period they arise.

(k) Taxation

Current tax
Current tax assets and liabilities are measured at the amount expected to be paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax
Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted, or substantively enacted, at the balance sheet date.

Deferred tax is recognised in the income statement, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

(l) Foreign currency

All transactions denominated in foreign currencies are translated into sterling at the actual rates of exchange ruling at the date of transaction. Foreign currency balances are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange gains or losses are recognised in the profit and loss account in the period incurred.

(m) Research and development

Research and development expenditure is charged to the income statement in the period in which it is incurred.

(n)Derivative financial instruments

The Group utilises interest and inflation rate swaps, forward power contracts, power purchase agreements and forward foreign exchange contracts as derivative financial instruments.

A derivative instrument is considered to be used for hedging purposes when it alters the risk profile of an underlying exposure of the Group in line with the NWGL Group's risk management policies. Derivative financial instruments are stated at their fair value.

Hedge accounting is employed in respect of those derivative financial instruments fulfilling the requirements for hedge accounting as prescribed under IFRS 9. An accounting policy choice is available with regards to applying the hedge accounting requirements of IFRS 9 or retaining the requirements of IAS 39. The Group has elected to retain the requirements of IAS 39.

Derivative financial instruments are recognised and subsequently measured at fair value, which is considered to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction reflecting the credit risk of the counterparties in the principal (or most advantageous) market under market conditions as at the balance sheet date.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swaps and inflation swaps are determined by reference to market values for similar instruments.

Hedging transactions undertaken by the Group are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability, or cash flow hedges where they hedge exposure to variability in currency cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction.

In relation to cash flow hedges to hedge firm currency commitments which meet the conditions for hedge accounting, the portion of the gain or loss on the derivative hedging instrument that is determined to be an effective hedge is recognised directly in the cash flow hedge reserve and the ineffective portion is recognised in the income statement.

When the hedged firm commitment results in the recognition of a non-financial asset or a non-financial liability then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in the cash flow hedge reserve are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in the cash flow hedge reserve are transferred to the income statement in the same periods in which the hedged firm commitment affects the income statement.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in the cash flow hedge reserve is kept in the cash flow hedge reserve until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in the cash flow hedge reserve is transferred to the income statement.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

(o) Interest bearing loans and borrowings

All loans and borrowings are initially stated at the amount of the net proceeds, being fair value of the consideration received net of issue costs associated with the borrowing.

Fixed rate borrowings are stated at amortised cost. Finance and issue costs are recognised in the income statement over the duration of the borrowing using the effective interest rate method.

The carrying amount of index linked borrowings increases annually in line with the relevant measure of inflation, with the accretion being charged to the income statement as finance costs payable. Other borrowing costs are recognised as an expense when incurred and fees are recognised evenly over the duration of the borrowing.

Realised gains and losses that occur from the early termination of loans and borrowings are taken to the income statement in that period.

Net debt is the sum of all loans and borrowings less cash and cash equivalents, short-term cash deposits, financial investments and loans receivable.

(p) Trade and other receivables

Trade receivables are measured at fair value on initial recognition. Trade receivables are initially recorded at transaction price and subsequently measured at amortised cost, resulting in recognition at nominal value less an allowance for any doubtful debts.

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the trade receivable. In calculating the expected loss, the Group applies expected recovery rates, based on actual historical cash performance and forward-looking information.

Debt is only written off after all available economic options for collecting the debt have been exhausted and the debt has been deemed to be uncollectable. This may be because the debt is considered to be impossible, impractical, inefficient or uneconomic to collect. Situations where this may arise include where the customer cannot be traced, the customer has insufficient assets to claim against or where the value of the debt makes it uneconomic to pursue.

(q) Borrowing costs

Borrowing costs are generally expensed as incurred. Borrowing costs that are directly attributable to the acquisition or construction of an asset that necessarily takes a substantial time to prepare for its intended use are capitalised while the asset is being constructed as part of the cost of that asset.

Capitalisation ceases when the asset is substantially ready for its intended use or sale. If active development is interrupted for an extended period, capitalisation is suspended. When construction occurs piecemeal, and use of each part ceases upon substantial completion of that part, a weighted average cost of borrowings is used.

(r) Significant accounting judgements and key sources of estimation uncertainty

In the process of applying the accounting policies, the Group is required to make certain judgements, estimates and assumptions that it believes are reasonable based on the information available. Actual results may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The significant accounting judgement was:

- the asset lives assigned to property, plant and equipment, details of which can be found in note 1(d) above.

The significant accounting estimates were:

- the estimation of income for measured water and sewerage services supplied to household customers but not billed at the end of the financial period. Consumption is billed in arrears on a six-monthly cycle. Revenue is estimated and accrued using a defined methodology based upon historical usage and the relevant tariff per customer. A variation of 25% in usage would change revenue by £13.6m;
- those assumptions used in arriving at the defined benefit pension scheme assets and liabilities under IAS 19. These key assumptions and their possible impact are disclosed in note 25; and
- the doubtful debt provision, reported in note 14, which is determined by estimating expected credit losses based on the Group’s historical experience of irrecoverable debts. Debt is segmented according to the age of the debt, payment history and type of debt (for example current or previous occupier). Higher provisioning percentages are applied to categories of debt which are considered to be of greater risk, including those with a poor payment history as well as to those of greater age. Bad debt provisioning rates are reviewed annually to reflect the latest collection performance data from the Group’s billing system. Potential impacts of forward-looking macro-economic factors on collectability are also considered. A reduction of 0.3% in the long-term collection rate would increase the provision by £12.9m.

Whilst management have acknowledged the risks posed by climate change, they have assessed that there is no quantitatively material impact arising from climate change on the judgements and estimates made in the Financial Statements for the year ended 31 March 2025.

(s) New accounting policies and future requirements

At the date of signing these financial statements, there are no standards or interpretations in issue but not yet effective which the Directors anticipate will have a material impact on the Group.

(t) De-recognition of financial assets and liabilities

A financial asset or liability is generally de-recognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the income statement.

2. Revenue and segmental information

The Directors consider that the Group has a single class of business, the provision of water and wastewater services. All revenue is generated from within the United Kingdom.

Appointed business revenue is generated from the regulated activities of the Group, defined in its licence of appointment, necessary to fulfil its duties as a water and sewerage undertaker under the Water Industry Act of 1991.

Non-appointed revenue is generated from the non-regulated activities of the Group.

	2025			2024		
	Household £'m	Non household £'m	Total £'m	Household £'m	Non household £'m	Total £'m
Wholesale water	404.3	106.8	511.1	362.4	97.3	459.7
Wholesale wastewater	250.3	90.0	340.3	226.6	83.8	310.4
Retail	65.8	-	65.8	58.1	-	58.1
Water and wastewater revenue	**720.4**	**196.8**	**917.2**	**647.1**	**181.1**	**828.2**
Other appointed business			45.3			38.5
Total appointed business			**962.5**			**866.7**
Non appointed business			54.7			52.2
Total revenue			**1,017.2**			**918.9**

3. Operating Costs

	Note	2025 £'m	2024 £'m
Materials and consumables		34.5	37.0
Employee costs	6	181.6	169.8
Own work capitalised		(71.9)	(57.1)
Costs of research and development		0.8	0.9
Bad debt charge		19.0	13.2
Inventories recognised as an expense		5.3	3.9
Other operating costs		393.0	362.4
Depreciation of property, plant and equipment		156.3	147.6
Amortisation of intangible assets		8.9	9.1
Profit on disposal of property, plant and equipment		(1.2)	(1.1)
Total operating costs		**726.3**	**685.7**

Other operating costs include hired and contracted services, power, debt management, rates and abstraction.

4. Auditor's remuneration

	2025 £'m	2024 £'m
Fees payable for the audit of parent Company and consolidated financial statements	0.3	0.4
Other fees to auditor:		
Audit of subsidiaries	0.1	0.1
Regulatory audit	0.1	0.1
Other non-audit services	0.1	0.1
Total auditor's remuneration	**0.6**	**0.7**

Regulatory audit fees relate to the APR, including the audit of the Regulatory Accounting Statements, and agreed upon procedures in respect of additional regulatory information, the statement of sufficiency of financial resources and facilities and financial resilience stress testing.

Non-audit services were incurred in relation to the annual update of the EMTN programme and assurance of third party contracts.

5. Directors' emoluments

(a) Directors' remuneration

The remuneration of the Directors of the Group was as follows:

	2025 £'000	2024 £'000
Emoluments (including benefits in kind)	**1,319**	1,171

For those Directors holding office with both NWL and NWGL, or contributing significantly to the day to day operations of NWGL, costs are apportioned between the companies to reflect the level of activity carried out for each company. This note reflects only the proportion of costs earned in respect of NWL Group activities. This includes awards for the STIP and LTIP schemes, although these have been paid in full by NWGL, as explained in the Remuneration Committee Report on pages 76 to 89.

None of the Directors serving during the year ended 31 March 2025 were members of a pension scheme where the Group makes contributions towards the cost.

The Directors' remuneration policy and a detailed report showing total remuneration for each Director, for the year to 31 March 2025, are set out in the Remuneration Committee Report on pages 76 to 89.

(b) Highest paid Director

The amounts for remuneration shown in note 5(a) include the following in respect of the highest paid Director:

	2025 £'000	2024 £'000
Emoluments (including benefits in kind)	**961**	842

The table above reflects the proportion of remuneration earned in respect of NWL activities. This includes awards for the STIP and LTIP schemes, although in these have been paid in full by NWGL, as explained in the Remuneration Committee Report on pages 76 to 89.

The highest paid Director left the defined contribution section of the NWPS at the beginning of the year ended 31 March 2017, therefore no payments were made to the Scheme in either the current or prior year.

6. Employee information

The total employment costs of all employees (including Directors) were as follows:

	2025 £'m	2024 £'m
Wages and salaries	102.1	96.5
Social security costs	10.9	9.9
Other pensions costs	7.6	13.7
Gross costs charged to the income statement	**120.6**	**120.1**
Wages and salaries	2.2	1.7
Costs recharged to other NWGL Group companies	**2.2**	**1.7**
Wages and salaries	99.9	94.8
Social security costs	10.9	9.9
Other pensions costs	7.6	13.7
Net costs charged to the income statement	**118.4**	**118.4**
Wages and salaries	49.1	41.3
Social security costs	5.7	4.2
Other pensions costs	8.4	5.9
Costs charged to capital schemes	**63.2**	**51.4**
Total net employee costs	**181.6**	**169.8**

The average monthly number of employees during the year was made up as follows:

	2025	2024
Water and waste water services	1,424	1,352
Customer services and meter reading	776	726
Other regulated activities	1,218	1,106
Non regulated activities	87	86
Average employees	**3,505**	**3,270**

7. Net Finance Costs

	2025 £'m	Restated 2024 £'m
Finance costs payable:		
Bank overdrafts and loans	160.3	143.1
Receivable in respect of derivatives	(12.6)	(12.5)
Payable to other Group company	0.5	1.6
Amortisation of discount, fees, loan issue costs and other financing items	4.8	4.5
Accretion on index linked bonds	37.2	75.2
Accretion on index-linked swaps	11.0	24.2
Interest cost on pension plan obligations	0.7	(1.3)
Obligations under leases	4.3	7.2
	206.2	**242.0**
Less amounts capitalised on qualifying assets	(22.5)	(14.1)
Total finance costs payable	**183.7**	**227.9**
Finance income receivable:		
Bank deposits	(4.7)	(2.4)
Fair value gains on derivative financial instruments	(1.8)	(15.3)
Total finance income receivable	**(6.5)**	**(17.7)**
Net finance costs payable	**177.2**	**210.2**

8. Taxation

(a) Tax on profit

	2025 £'m	Restated 2024 £'m
Current tax:		
Adjustments in respect of prior periods	(0.1)	(0.2)
Payable in respect of group relief for the year	4.7	13.4
Adjustments in respect of prior period group relief	(1.0)	(1.0)
Total current tax	**3.6**	**12.2**
Deferred tax:		
Origination and reversal of temporary differences in the year at 25% (2024: 25%)	24.9	(6.2)
Adjustments in respect of prior periods	0.9	0.5
Total deferred tax	**25.8**	**(5.7)**
Tax charge in the income statement	**29.4**	**6.5**

The rate of UK corporation tax for the current year is 25%.

In addition to the Group's tax charge of £29.4m (2024: £6.5m restated) to the income statement, tax of £7.0m (2024: £14.0m) has been credited directly to the statement of comprehensive income. The current tax credit for the year is £1.0m (made up of a charge of £3.6m in the income statement and a credit of £4.6m in other comprehensive income).

The deferred tax charge for the year is £23.4m (made up of a charge of £25.8m in the income statement and a credit of £2.4m in other comprehensive income).

Tax losses arise in the current year as a result of allowances available from full expensing of qualifying capital expenditure. The losses have been provisionally surrendered as group/consortium relief to other group companies and related parties, for which payment is receivable at the full rate of current tax. Brought forward losses have been utilised up to the £5m unrestricted allowance with any remaining losses being carried forward to be set off against future taxable profits.

Prior year items mainly relate to revisions to tax relief for capital expenditure.

(b) Tax relating to items credited outside the income statement

	2025 £'m	Restated 2024 £'m
Current tax		
Company contributions to defined benefit pension scheme	(4.6)	(12.7)
Total current tax credit	**(4.6)**	**(12.7)**
Deferred tax:		
Company contributions to defined benefit pension scheme	5.4	12.9
Actuarial losses on pension scheme	(6.7)	(13.6)
Financial instruments	(1.1)	(0.6)
Total deferred tax	**(2.4)**	**(1.3)**
Tax credit in the statement of comprehensive income	**(7.0)**	**(14.0)**

(c) Reconciliation of the tax charge

	2025 £'m	Restated 2024 £'m
Profit before tax	**113.7**	**23.0**
Profit multiplied by standard rate of corporation tax of 25% (2024: 25%)	28.4	5.7
Effects of:		
Expenses not deductible for tax purposes	0.6	0.3
Non-taxable gains and amortisation of capital sums	(0.2)	-
Depreciation in respect of non-qualifying items	1.5	1.4
Current tax on pension contributions moved to OCI	4.6	12.7
Deferred tax on pension contributions moved to OCI	(5.4)	(12.9)
Adjustments in respect of prior periods	(0.2)	(0.7)
Transfer pricing adjustments	(1.1)	(1.1)
Balancing payment payable	1.1	1.1
Total tax charge	**29.3**	**6.5**

(d) Deferred tax

	Accelerated tax depreciation £'m	Deferred income £'m	Retirement benefit obligations £'m	Derivatives at fair value £'m	Business combinations £'m	Tax losses £'m	Other £'m	Total £'m
At 1 April 2023 (restated)	**764.2**	**(96.8)**	**4.3**	**(15.1)**	**6.9**	**(55.6)**	**17.9**	**625.8**
Charge / (credit) in the income statement	(41.6)	(8.0)	0.5	3.8	(0.2)	37.2	2.6	(5.7)
Credit in other comprehensive income	-	-	(0.7)	(0.5)	-	-	-	(1.2)
At 31 March 2024 (restated)	**722.6**	**(104.8)**	**4.1**	**(11.8)**	**6.7**	**(18.4)**	**20.5**	**618.9**
Charge / (credit) in the income statement	23.4	(7.6)	2.9	0.9	(0.2)	1.5	4.8	25.7
Credit in other comprehensive income	-	-	(1.3)	(1.1)	-	-	-	(2.4)
At 31 March 2025	**746.0**	**(112.4)**	**5.7**	**(12.0)**	**6.5**	**(16.9)**	**25.3**	**642.2**

'Other' includes deferred tax liabilities of £26.0m (2024: £21.0m) in respect of capitalised interest and £1.5m (2024: £1.5m) in respect of rolled over capital gains, and a deferred tax asset of £1.7m (2024: £1.6m) in respect of provisions and other small deferred tax assets of £0.5m (2024: £0.4m).

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so.

As a result of the adoption of the amendment to IAS 12 in relation to deferred tax assets and liabilities arising from a single transaction, the Group has provided further disclosure below to show the assets and liabilities to which the depreciation in excess of capital allowances relate.

	Property, plant and equipment £'m	Right-of-use assets £'m	Lease liabilities £'m	Accelerated tax depreciation £'m
At 1 April 2024	**717.7**	**0.5**	**4.4**	**722.6**
Charge in the income statement	22.2	0.5	0.7	23.4
At 31 March 2025	**739.9**	**1.0**	**5.1**	**746.0**

(e) Factors that may affect future tax charges

The Group expects to continue to incur high levels of capital expenditure during the 2026-30 regulatory review period which should result in claims for tax reliefs in excess of depreciation.

The full expensing regime for capital allowances was made permanent in Finance Act 2024. As a result the Group expects to continue to generate a tax loss over the 2026-30 regulatory review period. The Group intends to limit the level of tax losses arising by way of disclaiming capital allowances, however, the Group will utilise brought forward tax losses to the extent that the group does not exceed the £5 million annual allowance of unrestricted profit.

The Organisation for Economic Co-operation and Developments (OECD) released Pillar Two model rules in December 2021 introducing a global minimum tax rate of 15% to address the tax concerns about uneven profit distribution and tax contributions of large multinational corporations. In December 2022, the OECD released transitional safe harbour rules as a short-term measure to minimise the compliance burden for lower risk jurisdictions.

The Pillar Two top-up tax rules were substantially enacted in the UK in 2023 with application from 1 January 2024. The Group does not expect to be subject to the top-up tax in relation to its operations in any of the jurisdictions in which it operates because they fall within the OECD transitional safe harbour rules which have also been adopted by the UK. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and will account for it as current tax when it is incurred.

9. Dividends

	2025 £'m	2024 £'m
Equity Dividends paid:		
Final dividend paid for the year ended 31 March 2024 of 32.94p (year ended 31 March 2023: 20.63p) per share on an aggregated basis	40.4	25.3
Interim dividend paid for the year ended 31 March 2025 of nil (year ended 31 March 2024: 33.02p) per share on an aggregated basis	-	40.5
Dividends paid in the year	**40.4**	**65.8**
Equity Dividends proposed:		
Final dividend proposed for the year ended 31 March 2025 of nil (year ended 31 March 2024: 32.94p) per share on an aggregated basis	-	40.4

Dividend Policy

NWL considers that its dividend policy should be transparent, recognising the Company's commitments to various stakeholders including customers, employees, specifically pension scheme obligations, and investors, and with due attention to maintaining appropriate levels of financial resilience within the company.

A key overarching principle behind NWL's approach to dividends is that its owners should be able to receive a competitive and fair return on their investment which reflects the underlying risk profile of the business. This ensures that there will be access to the necessary capital required to make investments for customer needs now and in the future.

NWL is seeking to maintain a progressive dividend policy that takes into account long-run financial performance and ensures that an efficient balance sheet is maintained. In line with the businesses' vision of being an industry leader, the policy seeks a competitive return consistent with a high-performing water company and to maximise returns over the long-term.

To deliver this the dividend policy will be based on four components:

- a base dividend component largely derived from the price control determination;
- a performance component linked to business performance and a fair assessment of outcomes for customers and the environment;
- a financial resilience adjustment designed to appropriately calibrate the company's overall gearing levels with the underlying risk profile of the business; and
- a smoothing adjustment to take into account smaller ad-hoc movements within any year that are expected to reverse out over the AMP.

These components are discussed in turn below.

Base dividend component

The approach to setting the base dividend is that it should broadly reflect the real cost of equity based on the capital structure as established in the latest regulatory determination, on the assumption that the regulatory cost of equity will always be set at a level that ensures the company remains financeable.

Performance component

The regulatory framework incentivises companies to meet or exceed regulatory targets and shares these gains or losses between shareholders and customers. The base dividend will be adjusted up or down to reflect business performance in three areas:

- totex performance: cost savings after the application of the regulatory approach to cost-sharing.
- ODI performance: net ODI rewards from improved outcomes for customers.
- financing performance: where the company is able to secure debt financing at lower rates than assumed by the latest regulatory determination.

Financial resilience adjustment

Financial resilience adjustments are designed to ensure the company maintains a prudent investment grade credit rating and an appropriate buffer to absorb relevant financial risks. To achieve this an adjustment will be made to ensure that any real terms growth in the regulatory capital value is funded from both debt and equity in line with an efficient capital structure.

Smoothing adjustment

To provide stability in dividends a further adjustment may be made to ensure that over a regulatory cycle there is a more even allocation of dividends. This is because expenditure within an AMP is not evenly spread and aligned with the phasing of the price control determination, and unexpected events (positive and negative) can impact financial performance in the short term.

In making these adjustments, the Board will aim to match dividends over a cumulative period of up to five years to the level required to deliver the policies set out under the first three components of the policy.

Application of Dividend Policy

No dividends have been proposed, approved or paid in respect of the year ended 31 March 2025. In deciding this, the Board has taken into account performance for customers and the environment, including the level of totex compared to regulatory allowances, and the need to retain financial resilience in order to be able to deliver the Company's Business Plan commitments for stakeholders.

A final dividend of £40.4m was paid in respect of 2024/25. In reaching the decision to approve this payment, the Board took full account of performance for customers and the environment, its broader obligations and longer term financial resilience, in accordance with its dividend policy. A full explanation of the Board's considerations is published in the Company's APR.

10. Intangible Assets

	Note	Software £'m	Assets in development £'m	Total £'m
Cost:				
At 1 April 2024		142.2	10.7	152.9
Additions		-	11.1	11.1
Transfers		13.4	(13.4)	-
At 31 March 2025		**155.6**	**8.4**	**164.0**
Amortisation:				
At 1 April 2024		97.7	-	97.7
Charge for the year		8.9	-	8.9
At 31 March 2025		**106.6**	**-**	**106.6**
Carrying value:				
At 31 March 2025		**49.0**	**8.4**	**57.4**
At 31 March 2024		44.5	10.7	55.2

Cumulative borrowing costs capitalised in the cost of intangible assets amount to £5.0m (2024: £4.4m). The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 5.03% (2024: 4.76%).

11. Property, plant and equipment

	Freehold land and buildings £'m	Infrastructure assets £'m	Operational, structures, plant and machinery £'m	Fixtures, fittings, tools and equipment £'m	Assets in the course of construction £'m	Total £'m
Cost:						
At 1 April 2024	168.2	3,432.6	3,719.7	262.7	466.1	8,049.3
Additions / adjustments	2.1	23.7	0.4	-	569.3	595.5
Schemes commissioned	4.5	150.6	364.7	25.5	(545.3)	-
Disposals	-	(2.3)	(5.8)	-	-	(8.1)
At 31 March 2025	**174.8**	**3,604.6**	**4,079.0**	**288.2**	**490.1**	**8,636.7**
Depreciation:						
At 1 April 2024	79.0	545.4	1,891.8	225.9	-	2,742.1
Charge for the year	4.0	32.7	112.2	7.4	-	156.3
Disposals	-	(2.3)	(5.8)	-	-	(8.1)
At 31 March 2025	**83.0**	**575.8**	**1,998.2**	**233.3**	**-**	**2,890.3**
Carrying value:						
At 31 March 2025	**91.8**	**3,028.8**	**2,080.8**	**54.9**	**490.1**	**5,746.4**
At 31 March 2024	89.2	2,887.2	1,827.9	36.8	466.1	5,307.2
Right of use assets included above:						
Additions in the year	2.1	-	7.5	-	-	9.6
Depreciation charge for the year	0.2	0.5	4.3	-	-	5.0
Carrying value at 31 March 2025	**3.9**	**40.8**	**17.0**	**-**	**-**	**61.7**
Carrying value at 31 March 2024	2.0	41.3	13.8	-	-	57.1

Operational structures, plant and machinery include an element of land dedicated to those assets. It is not possible to separately identify the value of all land assets.

Cumulative borrowing costs capitalised in the cost of property, plant and equipment amount to £119.3m (2024: £97.4m). The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 5.03% (2024: 4.76%).

12. Financial investments

(a) Financial investments

	2025 £'m	2024 £'m
At 31 March	11.7	11.6

The financial investment comprises a guaranteed investment contract representing cash held on long-term deposit relating to the Kielder securitisation.

(b) Investments in subsidiaries

The Company's interests in subsidiaries which are included in the consolidated financial statements at 31 March 2025 were as follows

Name of undertaking	Country of incorporation or registration and operation	Description of shares held	Proportion of nominal value of issued shares held by Company (%)	Business activity
Northumbrian Water Finance plc	England and Wales	Ordinary shares of £1	100	Financing company
Reiver Finance Limited	England and Wales	Ordinary shares of £1	100	Special purpose financing vehicle
Reiver Holdings Limited	England and Wales	Ordinary shares of £1	100	Holding company
Northumbrian Water Company 1 Limited	Scotland	Ordinary shares of £1	100	General Partner
Northumbrian Water Company 2 Limited	Scotland	Ordinary shares of £1	100	General Partner
Northumbrian Water Company 3 Limited	Scotland	Ordinary shares of £1	100	Financing company

The registered office of the subsidiaries operating in England and Wales is Northumbria House, Abbey Road, Pity Me, Durham DH1 5FJ. Holdings are direct other than Reiver Finance Limited which is indirect.

The registered office of the subsidiaries operating in Scotland is 10/1 Capella Building, 60 York Street, Glasgow, United Kingdom, G2 8JX.

The Company is a partner in Northumbrian Water Company 1 Scottish Limited Partnership and Northumbrian Water Company 2 Scottish Limited Partnership, registered in Scotland.

The Company also has two quasi-subsidiary special purpose entities, Bakethin Holdings Limited, which is wholly owned by Bakethin Charitable Trust, and Bakethin Finance Plc, which is a wholly owned subsidiary of Bakethin Holdings Limited. The principal activity of Bakethin Finance Plc is as a special purpose financing vehicle.

The registered office of the two quasi-subsidiaries is c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, United Kingdom, EC2R 7AF.

13. Inventories

	2025 £'m	2024 £'m
Raw materials and consumables	**14.9**	10.3

The cost of inventories recognised as an expense during the year in respect of continuing operations was £5.3m (2024: £3.9m).

14. Trade and other receivables

	2025 £'m	2024 £'m
Trade receivables	236.2	221.3
Doubtful debt provision	(91.7)	(86.2)
Income tax recoverable	-	0.2
Amounts owed by other Group companies	6.5	4.5
Other receivables	12.2	20.3
Prepayments	9.6	6.7
Interest prepayments	0.1	1.9
Accrued income	105.5	95.6
Trade and other receivables	**278.4**	**264.3**

Amounts owed by other Group companies includes £1.6m (2024: £0.7m) in respect of tax losses surrendered by the Company. The remaining amounts owed by other Group companies include £4.1m due from NWGL (2024: £2.6m) and £0.8m (2024: £1.2m) due from fellow subsidiary companies, which are due on demand with no fixed repayment date and bear no interest.

Other receivables of £12.2m is predominantly made up of VAT amounts receivable of £11.9m.

As at 31 March 2025, trade receivables at nominal value of £91.7m (2024: £86.2m) were impaired. Movements in the provision for impairment of trade receivables were as follows:

	£'m
At 1 April 2023	**92.3**
Charge for the year	13.2
Utilised	(19.3)
At 31 March 2024	**86.2**
Charge for the year	19.0
Utilised	(13.5)
At 31 March 2025	**91.7**

The analysis of trade receivables overdue but not impaired on a net basis is as follows:

						£'m
	0-3 months	3-12 months	12-24 months	24-36 months	+36 months	Total
At 31 March 2025	**0.1**	**43.2**	**25.1**	**16.8**	**42.1**	**127.3**
At 31 March 2024	0.3	24.2	31.8	20.9	43.8	121.0

The consideration of forward looking macro-economic factors, as required by IFRS 9, has not materially changed the carrying value of trade receivables.

15. Trade and other payables

	2025 £'m	2024 £'m
Trade payables	61.3	52.6
Amounts owed to other Group companies	10.1	1.9
Taxation and social security	4.0	3.7
Receipts in advance	28.5	22.4
Other payables	16.3	15.1
Deferred income	15.5	11.6
Capital accruals	69.9	62.4
Interest accruals	62.4	54.2
Other accruals	45.4	46.1
	313.4	**270.0**

The amounts owed to other Group companies of £10.1m (2024: £1.9m) is owed to NWGL and is due on demand with no fixed repayment date and bears no interest.

Other payables of £16.3m predominantly comprises of retentions, deposits held, and cash collected on behalf of other WASCs under collection agreements.

16. Borrowings

	Note	2025 £'m	Restated 2024 £'m
Current:			
Bank overdrafts	16(a)	41.1	23.4
Current instalments due on external borrowings	16(a)	255.5	128.5
Current instalments due on internal borrowings	16(b)	40.0	58.5
Current instalments due on leases	17	5.0	3.9
Current borrowings		**341.6**	**214.3**
Non-current:			
Non-current instalments due on external borrowings	16(a)	3,988.3	3,688.9
Non-current instalments due on leases	17	68.1	63.9
Non-current borrowings		**4,056.4**	**3,752.8**

(a) Internal borrowings

Included in internal borrowings is £40m (2024: £58.5m) owed to NWGL in respect of an overnight borrowing which incurs interest at a rate of 5.5% (2024: 6.25%).

(b) External borrowings

Bank overdrafts are repayable on demand and bore interest at an average rate of 6.02% during the year.

Loans wholly repayable within five years amount to £1,232.8m (2024: £1,632.9m).

Loans not wholly repayable within five years amount to £3,052.1m (2024: £2,207.9m) and bear interest rates in the range 1.625% to 6.375%.

The fair value gain on the Company's outstanding interest rate and RPI swaps in the year to 31 March 2025 was £1.8m (2024: loss of £11.1m) in relation to interest rate swaps with a notional principal of £350m (2024: £350m).

All other external borrowings are listed below.

Interest bearing loans and borrowings

	Book value 31 March 2025 £'m
Borrowings comprise the following::	
Overdrafts payable on demand	41.1
Bank loans (principal £599.9m, 2024: £648.5m)	599.6
Eurobonds - due 11 October 2026, 1.625% (principal £300.0m, 2024: £300.0m)	299.6
Eurobonds - due 05 October 2027, 2.375% (principal £300.0m, 2024: £300.0m)	299.1
Eurobonds - due 14 February 2031, 4.5% (principal £350.0m, 2024: £350.0m)	394.4
Eurobonds - due 29 April 2033, 5.625% (principal £350.0m, 2024: £350.0m)	345.3
Eurobonds - due 23 January 2034, 5.8753% (principal £248.0m, 2024: £248.0m)	220.7
Eurobonds - due 28 October 2034, 6.375% (principal £400.0m, 2024: £400.0m)	392.2
Eurobonds - due 02 October 2037, 5.5% (principal £300.0m, 2024: £nil)	293.1
Eurobonds - due 23 January 2042, 5.125% (principal £360.0m, 2024: £360.0m)	344.2
Index linked Eurobonds - due 15 July 2036, 2.033% (principal £305.9m, 2024: £295.2m)	305.9
Index linked Eurobonds - due 05 April 2039, 2.49% (principal £100.0m, 2024: £nil)	102.5
Index linked Eurobonds - due 30 January 2041, 1.6274% (principal £121.0m, 2024: £116.8m)	121.0
Index linked Eurobonds - due 16 July 2049, 1.7118% (principal £200.5m, 2024: £193.6m)	200.5
Index linked Eurobonds - due 16 July 2053, 1.7484% (principal £200.5m, 2024: £193.6m)	200.5
Index linked Private Placement - due 29 October 2039, 0.242% (principal £125.2m, 2024: £122.1m)	125.2
NWG Intercompany Loan - Revolving Loan Facility (principal £40.0m, 2024: £58.5m)	40.0
	4,324.9
Less current instalments due on bank loans and on demand overdrafts (principal £296.0m, 2024: £185.8m)	(336.6)
Non-current instalments due on external borrowings	**3,988.3**

17. Leases

The Group holds leases in respect of land, buildings and infrastructure assets, and to acquire plant, machinery and motor vehicles.

Land and building rent reviews are triggered by the lessor and typically take place every three to five years, at which point there may be an increase in rental payments. There are no purchase options or escalation clauses in respect of these leases and the terms of renewal are governed by Landlord and Tenant legislation. There are no restrictions imposed by these lease arrangements. There are no contingent rents, escalation clauses or material renewal or purchase options. The leases impose no restrictions in respect of dividends or raising additional debt. The obligations are as follows:

	2025 £'m	2024 £'m
Maturity analysis		
Year 1	(8.7)	(7.6)
Year 2	(8.3)	(6.9)
Year 3	(7.5)	(6.5)
Year 4	(6.5)	(5.7)
Year 5	(6.0)	(5.0)
Onwards	(73.5)	(71.7)
Total lease obligations	**(110.5)**	**(103.4)**
Less unearned interest		
Year 1	(3.7)	(3.7)
Year 2	(3.2)	(2.7)
Year 3	(2.8)	(2.6)
Year 4	(2.6)	(2.4)
Year 5	(2.3)	(2.3)
Onwards	(22.8)	(21.9)
Unearned interest	**(37.4)**	**(35.6)**
Total leases	**(73.1)**	**(67.8)**
Analysed as		
Non-current	(68.1)	(63.9)
Current	(5.0)	(3.9)
Total leases	**(73.1)**	**(67.8)**

18. Provisions

	£'m
At 1 April 2024	3.9
Charged to the profit and loss account in the year	2.3
Utilised during the year	(0.1)
At 31 March 2025	**6.1**
Analysed as:	
Current	0.5
Non-current	5.6
Provisions	**6.1**

In the ordinary course of business, the Group is sometimes subject to claims and potential litigation, whether from regulatory bodies, individuals or particular groups, related to one off matters. The Directors consider that, where it is possible to be estimated, a reasonable and appropriate position has been taken in reflecting such items in these Financial Statements in the note above.

Provisions reflected in the balance sheet include outstanding pension liabilities for pensions that have been awarded on a discretionary basis, mainly to former employees of water companies which have since merged with NWL. These pension liabilities have been calculated using the same actuarial assumptions as applied to the defined benefit pension scheme, and are expected to be paid over the remaining lives, which is approximately five years.

The balance also includes estimated liabilities arising from historical pollution incidents and disputed rent reviews. In each case the timing of settlement is uncertain as a result of backlogs in the legal process due to the pandemic. The value of the provisions for each liability has not been disclosed due to the commercially sensitive nature of these legal matters.

As part of the wastewater undertakings agreed with Ofwat (see page 27), £2m has been provided for committed additional contributions to the 'Branch Out Fund', which supports schemes proposed by local communities, land managers, other organisations and individuals that will improve the natural environment. This is expected to be paid at £0.4m in each of the next five years.

It is not currently possible to estimate the financial effect and likely timing of any associated outflow of some other matters, given that some are in early stages of discussion, the limited likelihood of the claims against the Group being successful, or the potential range of possible outcomes, and accordingly no provision has been made in the Financial Statements. No reasonably possible financial outcome that would be significant to the Financial Statements has been identified in relation to these remaining matters at the date of the issue of these Financial Statements.

19. Grants and deferred income

	Capital grants and contributions £'m	Total £'m
At 1 April 2024	**521.0**	**521.0**
Additions	37.5	37.5
Amortised during the year	(6.5)	(6.5)
At 31 March 2025	**552.0**	**552.0**

20. Financial instruments

(a) Group strategy and funding risk

The level of capital expenditure which the Group is obliged to incur is such that it cannot be wholly financed by internally generated sources. As a result, the Group must rely upon raising additional finance on a regular basis, to be principally used to fund the long-term assets required in its regulated business. The Group's strategy is to finance such investment by raising medium to long-term debt, to provide a balance sheet match with long-term assets and to fix a major proportion of interest rates. In order to raise this finance efficiently, the Board's aim is to retain a prudent investment grade credit rating. A reduction in the credit rating would likely restrict future sources of funding and increase the associated cost of new borrowing.

(b) Treasury operations

The main purpose of the Group's treasury function is to assess the Group's ongoing capital requirement and to raise funding on a timely basis, taking advantage of any favourable market opportunities. It also invests any surplus funds the Group may have, based upon its forecast requirements and in accordance with the Group's treasury policy. On occasions, derivatives are used as part of this process but the Group's policies prohibit their use for speculation.

(c) Risks arising from the Group's financial instruments

The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. All treasury activities are conducted in accordance with these policies.

(d) Liquidity risk

As regards day to day liquidity, the Group's policy is to have available committed bank borrowing facilities with a value of no less than £50m and with a bank agreement availability period of no less than three months. At 31 March 2025, the Group had £375m (2024: £355m) of undrawn committed bank facilities (maturing in 2025). After the balance sheet date, the committed facilities were renewed for a value of £500m (with capacity to increase to £600m) maturing in April 2028, with options to extend to April 2030.

(e) Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings. It borrows at both fixed and variable rates of interest and, accordingly, uses interest rate swaps to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations. The Group's policy was refreshed during the year which seeks to ensure NWL has an efficient and flexible funding structure in the context of its risk appetite. This considers the relevant risk exposure for its financing while taking into account the regulatory framework and associated allowances for setting the cost of debt. The revised policy is to have index linked debt from 38% to 50% of the funding structure and floating rate exposures to from 5% to 8% of the capital structure.

At 31 March 2025, 33% (2024: 35%) of the Group's borrowings were on an index linked basis, with variable rate borrowings at 6% (2024: 7%). Index linked borrowings are treated as variable rate debt.

The Group is exposed to the SONIA risk-free rate. The exposures arise on derivatives and non-derivative financial liabilities (e.g. borrowings).

(f) Foreign currency risk

The Group's policy is that any foreign currency exposure in excess of £100k sterling equivalent of a transactional nature, or £3m sterling equivalent of a translation nature, should be covered immediately on identification. Any exposures are covered through the use of forward foreign exchange contracts.

At 31 March 2025, after taking into account of the effects of forward foreign exchange contracts, with the exception of the impact of translating the net assets of foreign operations into sterling, the Group had no material currency exposures (2024: £nil).

At 31 March 2025, the Group held forward foreign exchange contracts of £2.2m (31 March 2024: £4.2m) for the purpose of hedging the foreign currency risk of committed future purchases. At 31 March 2025, the fair value gain on the Company's outstanding foreign exchange contracts was £nil (2024: £0.1m).

(g) Market price sensitivity

The Group's exposure to market price sensitivity principally comprises interest rate exposures. The Group's policy is to accept a degree of interest rate risk. The following table shows the impact on profit and equity of an increase in the variable cost of borrowing, excluding any balance drawn on the floating rate Revolving Credit Facility. The £50m term loan, signed after the balance sheet date and which was undrawn at the date of these financial statements, carries interest on a floating rate basis. The range is considered reasonable based on the forecast variable rates of borrowing and all other elements being consistent for the next 12 months and highlights this is not material to the Group.

Increase in basis points	Decrease in profit / equity £'m
Year ended 31 March 2025	
+100	1.6
-100	(1.6)
Year ended 31 March 2024	
+100	0.2
-100	(0.2)

(h) Credit risk

There are no significant concentrations of credit risk within the Group. Management's assessment of the maximum credit risk exposure relating to financial assets is represented by their carrying value as at the balance sheet date. There is no material customer credit risk as no individual customer accounts for a significant proportion of income or debt.

(i) Counterparty risk

The treasury strategy, which is approved by the Board, requires that investments are limited to certain money market and treasury instruments, and that the Group's exposure to any single bank, building society or market is controlled, with maximum deposits allowed with any single counterparty. The investment criteria cover credit rating and asset size, including sovereign and political risk. Current market conditions have resulted in closer monitoring of counterparties.

(j) Capital risk

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy credit ratios in order to support its business and maximise shareholder value.

The Group monitors capital using gearing and interest cover ratios for the Group and NWL on a consistent basis to the financial covenants for the committed facility. The Group's policy is to keep the Group gearing (excluding Kielder debt) less than 77.5%. Group gearing at 31 March 2025 was 71.4% (31 March 2024: 70.0%). The Group's policy is to keep interest cover above 2.4x. The interest cover for the year ended 31 March 2025 was 3.0x (year ended 31 March 2024: 2.9x).

(k) Contractual maturity of financial liabilities (principal and future interest payments)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

						£'m
	On demand	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
Year ended 31 March 2025						
Interest bearing loans and borrowings	41.1	123.1	178.1	978.6	3,245.2	4,566.1
Derivatives - in hedge relationship	-	1.1	1.0	8.0	-	10.1
Derivatives - not in hedge relationship	-	(1.3)	72.5	17.9	(34.2)	54.9
Trade and other payables	-	158.3	39.3	-	-	197.6
At 31 March 2025	**41.1**	**281.2**	**290.9**	**1,004.5**	**3,211.0**	**4,828.7**

						£'m
	On demand	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
Restated Year ended 31 March 2024						
Interest bearing loans and borrowings	23.4	159.7	102.7	1,204.8	2,850.1	4,340.7
Derivatives - in hedge relationship	-	2.4	1.1	1.3	-	4.8
Derivatives - not in hedge relationship	-	(2.5)	(2.8)	85.4	(44.1)	36.0
Trade and other payables	-	142.1	30.8	-	-	172.9
At 31 March 2024	**23.4**	**301.7**	**131.8**	**1,291.5**	**2,806.0**	**4,554.4**

(l) Maturity profile of financial assets and liabilities (carrying value)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total £'m
Year ended 31 March 2025							
Fixed rate:							
Eurobonds	-	(299.5)	(299.0)	-	-	(1,769.3)	(2,367.8)
Bank loans	(11.5)	(7.1)	(7.1)	(7.1)	(7.1)	(1.8)	(41.7)
Leases	(4.1)	(3.8)	(3.3)	(2.3)	(1.9)	(5.3)	(20.7)
Fixed rate as at 31 March 2025	**(15.6)**	**(310.4)**	**(309.4)**	**(9.4)**	**(9.0)**	**(1,776.4)**	**(2,430.2)**
Variable rate:							
Cash and cash equivalents	99.6	-	-	-	-	-	99.6
Short term cash deposits	65.0	-	-	-	-	-	65.0
Financial investments	-	-	-	-	-	11.7	11.7
Eurobonds	(4.5)	(4.4)	(4.9)	(5.4)	(6.0)	(1,126.0)	(1,151.2)
Bank loans	(239.6)	(10.6)	(110.6)	(10.6)	(156.7)	(29.8)	(557.9)
Indexation on inflation swaps	(76.7)	-	(45.5)	-	-	-	(122.2)
Overdrafts	(41.1)	-	-	-	-	-	(41.1)
Leases	(0.9)	(1.2)	(1.4)	(1.6)	(1.8)	(45.5)	(52.4)
Private Placement	-	-	-	-	-	(125.2)	(125.2)
Intercompany Loan	(40.0)	-	-	-	-	-	(40.0)
Variable rate at 31 March 2025	**(238.2)**	**(16.2)**	**(162.4)**	**(17.6)**	**(164.5)**	**(1,314.8)**	**(1,913.7)**
Net borrowings as at 31 March 2025	**(253.8)**	**(326.6)**	**(471.8)**	**(27.0)**	**(173.5)**	**(3,091.2)**	**(4,343.9)**

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total £'m
Year ended 31 March 2024							
Fixed rate:							
Eurobonds	(111.3)	(111.3)	(396.0)	(376.7)	(99.3)	(1,155.0)	(2,249.6)
Bank loans	(16.1)	(11.5)	(7.3)	(7.1)	(6.8)	(8.2)	(57.0)
Leases	(3.5)	(2.9)	(2.6)	(1.9)	(1.1)	(3.3)	(15.3)
Fixed rate as at 31 March 2024	**(130.9)**	**(125.7)**	**(405.9)**	**(385.7)**	**(107.2)**	**(1,166.5)**	**(2,321.9)**
Variable rate:							
Cash and cash equivalents*	50.2	-	-	-	-	-	50.2
Financial investments*	-	-	-	-	-	11.6	11.6
Eurobonds	(8.0)	(7.5)	(7.5)	(7.5)	(7.5)	(760.8)	(798.8)
Bank loans	(115.3)	(166.7)	(18.3)	(110.6)	(16.2)	(162.8)	(589.9)
Indexation on inflation swaps	-	(69.2)	-	(42.0)	-	-	(111.2)
Overdrafts	(23.4)	-	-	-	-	-	(23.4)
Leases	(0.3)	(1.1)	(2.3)	(1.6)	(1.7)	(45.5)	(52.5)
Private Placement	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(121.1)	(122.1)
Intercompany Loan	(58.5)	-	-	-	-	-	(58.5)
Variable rate as at 31 March 2024	**(155.5)**	**(244.7)**	**(28.3)**	**(161.9)**	**(25.6)**	**(1,078.6)**	**(1,694.6)**
Net borrowings at 31 March 2024	**(286.4)**	**(370.4)**	**(434.2)**	**(547.6)**	**(132.8)**	**(2,245.1)**	**(4,016.5)**

*The cash and cash equivalents figure reported for 31 March 2024 has been analysed further, between cash and cash equivalents and financial investments, and the maturity profile amended.

At 31 March 2025, after taking into account the effects of forward foreign exchange contracts, with the exception of the impact of translating the net assets of foreign operations into sterling, the Group had no material currency exposures (2024: £nil).

At 31 March 2025, the Group held forward foreign exchange contracts with a future transaction value of £2.1m (2024: £4.2m) for the purpose of hedging the foreign currency risk of committed future purchases. At 31 March 2025, the fair value gain on the Company's outstanding foreign exchange contracts was £0.0m (2024: £0.1m).

(m) Fair values of financial assets and financial liabilities

A comparison of category of book values, which are all recognised at amortised cost except for interest rate swaps which are recognised at fair value, and fair values of the Group's financial assets and liabilities is set out below:

	Book value 31 March 2025 £'m	Fair value 31 March 2025 £'m
Financial assets		
Cash and cash equivalents	99.6	99.6
Short term cash deposits	65.0	65.0
Financial investments	11.7	11.7
Derivative assets	2.8	2.8
Trade and other receivables	278.4	278.4
Financial assets	**457.5**	**457.5**
Financial liabilities		
Overdraft	(41.1)	(41.1)
Bank loans (principal £599.9m, 2024: £648.5m)	(599.6)	(599.6)
Eurobonds (principal £3,488.5m, 2024: £3,109.0m)	(3,519.0)	(3,259.7)
Private placement (principal £125.2m, 2024: £122.1m)	(125.2)	(125.2)
Finance leases (principal £73.1m, 2024: £67.8m)	(73.1)	(73.1)
Derivative liabilities	(173.3)	(173.3)
Indexation on inflation swaps (principal £250.0m, 2024: £250.0m)	(122.2)	(122.2)
Trade and other payables	(313.4)	(313.4)
Intercompany loan - Revolving Loan Facility (principal £40.0m, 2024: £58.5m)	(40.0)	(40.0)
Financial liabilities	**(5,006.9)**	**(4,747.6)**
Net financial liabilities	**(4,549.4)**	**(4,290.1)**

Restated	Book value 31 March 2024 £'m	Fair value 31 March 2024 £'m
Financial assets		
Cash and cash equivalents*	50.2	50.2
Financial investments*	11.6	11.6
Derivative assets	7.1	7.1
Trade and other receivables	264.3	264.3
Financial assets	**333.2**	**333.2**
Financial liabilities		
Overdraft	(23.4)	(23.4)
Bank loans (principal £648.5m, 2023: £497.4m)	(646.9)	(645.6)
Eurobonds (principal £3,109.0m, 2023: £3,040.7m)	(3,048.4)	(2,946.9)
Private placement (principal £122.1m, 2023 £117.4m)	(122.1)	(122.4)
Leases (principal £67.8m, 2023: £64.1m)	(67.8)	(67.8)
Derivative liabilities	(165.8)	(165.8)
Indexation on inflation swaps	(111.2)	(111.2)
Trade and other payables	(270.0)	(270.0)
Intercompany loan	(58.5)	(58.5)
Financial liabilities	**(4,514.1)**	**(4,411.6)**
Net financial liabilities	**(4,180.9)**	**(4,078.4)**

*The cash and cash equivalents figure reported in this note, for 31 March 2024, contained a duplication. The financial investment was also included in the cash and cash equivalents figure. This has now been corrected.

The fair values of the derivatives and sterling denominated long-term fixed rate and index linked debt with a book value of £3,790.7m (2024: £3,514.0m), have been determined by reference to prices available from the markets on which the instruments involved are traded. All the other fair values shown above have been calculated by discounting cash flows at prevailing interest rates.

In the absence of an openly traded market value for the index linked bonds with a book value of £930.5m (2024: £799.3m), the fair value at the balance sheet date has been calculated by considering the remaining debt maturity, the relevant UK index linked gilt rate and an appropriate credit spread by reference to market evidence for conventional bonds.

The difference between the principal and carrying amounts represent original transaction costs which are unwinding over the life of the loan and the effective interest rate less interest paid.

(n) Cash flow hedges - currency forward contracts

At 31 March 2025, the Group held the following forward exchange contracts, designated as hedges of expected future purchases for which the Company has firm commitments. The forward currency contracts are being used to hedge the foreign currency risk of the firm commitments. The terms of these contracts are as follows:

Currency bought	Maturity	Exchange rate	Transaction value £'m
US Dollars $455,478	11 April 25	1.2570	0.5
US Dollars $305,238	15 April 25	1.3210	0.3
US Dollars $80,155	15 April 25	1.2830	0.1
US Dollars $305,238	15 July 25	1.3210	0.3
US Dollars $80,155	15 July 25	1.2830	0.1
US Dollars $319,242	15 October 25	1.3210	0.3
US Dollars $80,155	15 October 25	1.2830	0.1
US Dollars $207,531	16 April 25	1.2400	0.2
US Dollars $74,114	22 April 25	1.2440	0.1
US Dollars $203,611	31 October 25	1.2440	0.2
Currency contracts at 31 March 2025			**2.2**

At 31 March 2024, the Company held the following forward exchange contracts, designated as hedges of expected future purchases for which the Company has firm commitments. The forward currency contracts are being used to hedge the foreign currency risk of the firm commitments. The terms of these contracts are as follows:

Currency bought	Maturity	Exchange rate	Transaction value £'m
EUR 26,808	8 April 2024	1.1632	-
USD 338,750	15 April 2024	1.3211	0.3
USD 15,435	15 April 2024	1.3716	-
USD 30,870	15 April 2024	1.3910	-
USD 1,928,323	15 April 2024	1.2716	1.5
USD 92,213	18 April 2024	1.2442	0.1
USD 338,750	15 July 2024	1.3211	0.3
USD 403,250	15 October 2024	1.3211	0.3
EUR 253,333	31 October 2024	1.2442	0.2
USD 403,250	15 January 2025	1.3211	0.3
USD 403,250	15 April 2025	1.3211	0.3
USD 92,213	22 April 2025	1.2442	0.1
USD 403,250	15 July 2025	1.3211	0.3
USD 421,750	15 October 2025	1.3211	0.3
USD 253,333	31 October 2025	1.2442	0.2
Currency contracts at 31 March 2024			**4.2**

There are no material sources of ineffectiveness affecting the hedge relationships.

Cash flow hedges - interest rate swap

At 31 March 2025 and 31 March 2024, the Group held one interest rate swap, designated as a hedge of future interest cash flows, for which the Group has forecast transactions. This swap was used to convert variable rate interest payments to a fixed rate basis. The terms of this swap as follows:

Notional amount	Start date	Termination date	Fixed rate
£150.0m	15 October 2015	15 October 2025	2.36%

The swap was designated as highly effective.

Inflation swaps

At 31 March 2025 and at 31 March 2024, the Group held three inflation swaps which were not designated in a hedge relationship. The first is a hedge of future inflation linked cash flows and was used to convert variable inflation-linked revenues on a contract with the EA, to a fixed income stream. The second and third swaps are economical hedges of future interest payments to convert fixed rate interest payments to index linked interest payments.

The inflation-linked revenues are accounted for in the consolidated income statement on an accruals basis. However, the long-term inflation swap that fixes these variable cash flows is measured at fair value with changes in fair value recognised in the income statement. The changes in the fair value reflects the change in the present value of the future cash flows which incorporates future expectations of inflation over the full term of the swap.

Notional amount	Cash flow	Start date	Termination date	Index linked rate
£2.9m	£1.0m	12 May 2004	9 January 2034	2.56%
£150.0m	n/a	15 October 2015	15 October 2025	(0.42%)
£100.0m	n/a	22 June 2017	22 June 2027	(1.10%)

Fair value hedges

At 31 March 2025 and at 31 March 2024, the Group held no fair value hedges. There are no material sources of ineffectiveness affecting the hedge relationships.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

All of the Group's financial instruments are measured at level 2.

Financial instruments measured at fair value

	31 March 2025 £'m
Year ended 31 March 2025:	
Interest rate swaps	(2.8)
Inflation swap	173.2
Currency forward contracts	0.1
At 31 March 2025	**170.5**

	31 March 2024 £'m
Year ended 31 March 2024:	
Interest rate swaps	(7.0)
Inflation swap	165.8
Currency forward contracts	(0.1)
At 31 March 2024	**158.7**

During the year to 31 March 2025, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

All other financial assets and liabilities are carried at amortised cost.

The fair values of inflation swaps are determined by estimating the future cash flows from observable forward inflation indices, which are discounted at a rate which reflects the counterparty credit risk. The fair values of interest rate swaps are determined by estimating the future cash flows from observable yield curves, which are similarly discounted at a rate which reflects the counterparty credit risk. The fair values of power forward contracts are determined with reference to observable forward curves for the estimated commodity indices for the respective delivery periods. The fair values of currency forward contracts are calculated by reference to current forward foreign exchange rates for contracts with similar maturity profiles.

(o) Categories of financial assets/(liabilities)

	31 March 2025 £'m	Restated 31 March 2024 £'m
Other financial assets		
Short term cash deposits	65.0	-
Cash and cash equivalents*	99.6	50.2
Financial investments*	11.7	11.6
Trade and other receivables	278.4	264.3
Other financial assets	**454.7**	**326.1**
Other financial liabilities		
Bank loans	(599.6)	(646.9)
Eurobonds	(3,519.0)	(3,048.4)
Private Placement	(125.2)	(122.1)
Leases	(73.1)	(67.8)
Indexation on inflation swaps	(122.2)	(111.2)
Overdrafts	(41.1)	(23.4)
Trade and other payables	(313.4)	(270.0)
Intercompany Loan	(40.0)	(58.5)
Other financial liabilities	**(4,833.6)**	**(4,348.3)**

*The cash and cash equivalents figure reported in this note, for 31 March 2024, contained a duplication. The financial investment was also included in the cash and cash equivalents figure. This has now been corrected.

21. Share capital

	2025 £'m	2024 £'m
Authorised:		
122,650,000 Ordinary Shares of £1 each (31 March 2024: 122,650,000)	122.7	122.7
Allotted, called-up and fully paid:		
122,650,000 Ordinary Shares of £1 each (31 March 2024: 122,650,000)	122.7	122.7

22. Additional cash flow information

	Note	Restated At 1 April 2024 £'m	Cash flow £'m	Other non-cash movements £'m	At 31 March 2025 £'m
Analysis of net debt as at 31 March 2025:					
Cash and cash equivalents		50.2	114.4	-	164.6
Financial investments	12	11.6	-	0.1	11.7
Bank overdrafts	16	(23.4)	(17.7)	-	(41.1)
Loans payable	16	(3,875.9)	(388.2)	(19.7)	(4,283.8)
Indexation on Inflation swaps		(111.2)	-	(11.0)	(122.2)
Leases	17	(67.8)	0.2	(5.5)	(73.1)
Total net debt		**(4,016.5)**	**(291.3)**	**(36.1)**	**(4,343.9)**

	Note	Restated At 31 March 2023 £'m	Cash flow £'m	Other non-cash movements £'m	Restated At 31 March 2024 £'m
Analysis of net debt as at 31 March 2024:					
Cash and cash equivalents		156.0	(105.8)	-	50.2
Financial investments	12	11.5	-	0.1	11.6
Bank overdrafts	16	(146.0)	122.6	-	(23.4)
Loans payable	16	(3,559.7)	(237.5)	(78.7)	(3,875.9)
Indexation on Inflation swaps		(87.0)	-	(24.2)	(111.2)
Leases	17	(64.1)	2.7	(6.4)	(67.8)
Total net debt		**(3,689.3)**	**(218.0)**	**(109.2)**	**(4,016.5)**

23. Financial commitments

(a) Capital commitments

	2025 £'m	2024 £'m
Contractual commitments for the acquisition of property, plant and equipment and intangible assets	**146.9**	249.2
Commitments in respect of wastewater undertakings	**11.1**	-
Capital commitments	**158.0**	**249.2**

In addition to existing contractual commitments, the Group has provided future capital investment undertakings to Ofwat in respect of its wastewater investigation.

In addition to these commitments, the Group has longer term expenditure plans, including investment to deliver business outcomes, maintain the health of the asset base and provide for new demand and growth in the regulated part of the business.

(b) Foreign currency commitments

At 31 March 2025 the Group held forward foreign exchange contracts of 2.2m (2024: £4.2m) for the purpose of hedging the foreign currency risk of committed future purchases.

(c) Power purchase agreement

In 2018/19 the Group signed a power purchase agreement with Ørsted, to purchase renewable energy from an offshore wind farm which will meet around 25% of the Group's energy demand. The agreement is for a ten year term at a fixed commodity price, increasing annually by CPI. The Group has concluded that the 'own use exception' applies, meaning that the power purchase agreement contract is not within the scope of IFRS 9 and therefore no further disclosures are necessary.

24. Contingent liabilities

Wastewater Investigations

In November 2021, the Company was contacted by the EA and Ofwat in relation to measures to ensure permitted 'Flow to Full Treatment' requirements are being achieved at our wastewater treatment works.

Ofwat's investigation has now concluded, with the Company agreeing certain undertakings, as described on page 27.

The EA investigation is ongoing, however it is uncertain as to whether or not any formal action will be taken which could result in a financial liability. Therefore, at this time, the directors are unable to reliably estimate the financial effect nor have certainty over the timing of the resolution of this investigation.

Competition Appeal Tribunal claim

NWL and its parent company, NWGL, received a collective proceedings claim in the Competition Appeal Tribunal for aggregate damages up to £225m including interest. The claim, on behalf of a class comprising household wastewater customers of NWL on an opt-out basis, alleged that customers had been overcharged for sewerage services as a result of an alleged abuse of a dominant position. Similar claims were made against five other wastewater companies.

Following a certification hearing, on 7 March 2025, the Tribunal rejected the collective proceedings order application on the basis that the claim was excluded under s.18(8) WIA91 which precludes these claims for abuse of dominance. The proposed class representative has been granted permission to appeal the Tribunal's decision by the Court of Appeal.

NWL considers the claim to be speculative and without merit and will continue to defend it robustly.

25. Pensions

NWL participates in a Group defined benefit pension scheme, NWPS, which was closed to future accrual of benefits with effect from 31 May 2022, following a consultation process with members. The assets of the NWPS are held separately from those of the Group in independently administered funds. The most recent actuarial valuation of the NWPS was at 31 December 2022. At that date, the value of assets amounted to £799.2m and the liabilities were £980.7m, resulting in a deficit of £181.5m and a funding level of 81.5%.

No contributions in respect of future accrual of benefits are required following the Scheme closure to future accrual. The Scheme Trustee and Company agreed deficit recovery payments (including expenses) of £25.8m for the period January 2023 to March 2023 and £29.1m pa for the period April 2023 to October 2023.

In October 2023, the Company and Trustee entered an ABF arrangement. This arrangement provides greater security to the pension scheme allowing the pension actuarial deficit to be repaid over a longer time period of 15 years. The principal asset of the ABF is a £545m loan note from Northumbrian Water Company 1 Scottish Limited Partnership to NWL. The repayments of this loan note underpin payments of £7.5m pa to the NWPS for deficit recovery and expenses, effective from November 2023 and increasing annually by RPI inflation. These payments will continue to October 2038 with the expectation that the deficit will be removed by this date. There will be an annual review of the pension scheme and if this reports an actuarial surplus then payments to NWPS will be paused, restarting if the scheme returns to a deficit position.

Employers' contributions (including associated company contributions) of £7.5m were paid in the year to 31 March 2025, of which £6.0m related to deficit reduction and £1.5m to Scheme expenses. For the year to 31 March 2026, employers contributions are projected to be £6.3m in respect of deficit reduction and £1.5m in respect of Scheme expenses.

The Company participates in the LifeSight master trust, a defined contribution pension arrangement for non-associated employers. There were 3,482 active members in defined contribution pension arrangements at 31 March 2025 (2024: 3,299), including employees enrolled following the closure of the defined benefit scheme.

Prior to the closure of the NWPS, members chose to contribute either 3%, 4% or 5% of salary, with employers contributing at either 6%, 7% or 8% depending on the member contribution rate. Following the closure of the NWPS, the defined contribution scheme was revised with the employee contribution rates of 3%, 4% or 5% being matched by employer contribution rates of 6%, 8% or 10% respectively. In addition, as a transitional arrangement until 31 March 2025, former members of the NWPS who contributed 5% received an employer contribution of 12%. With effect from 1 April 2025, the highest rate of employer contribution is 11% which applies for all employees contributing 5%.

The contributions paid to defined contribution pension arrangements by the Company in the year totalled £13.3m (2024: £11.9m).

The additional disclosures regarding the defined benefit scheme as required under IAS 19 and the relevant impact on the Financial Statements are set out below. A qualified actuary, using revised assumptions that are consistent with the requirements of IAS 19 has updated the actuarial valuation described above as at 31 March 2025. Investments have been valued, for this purpose, at fair value.

IAS 19 actuarial assumptions:	2025	2024
Discount rate	5.75%	5.00%
Price inflation (RPI)	3.15%	3.20%
Price inflation (CPI)	2.85%	2.85%
Pension increases linked to RPI	3.15%	3.20%
Pension increases linked to CPI	2.85%	2.85%
Mortality assumptions[1]		
- Life expectancy for a member aged 65 - female (years)	23.9	23.6
- Life expectancy for a member aged 65 - male (years)	21.3	21.1

[1] scheme specific bespoke 'Vitacurves' which reflect the characteristics of the Scheme membership.

The fair value of the assets in the NWPS and the present value of the liabilities in the Scheme are shown below:

	2025 £'m	2024 £'m
Equities	101.4	156.1
Corporate bonds	120.5	152.6
Diversified growth	27.0	28.9
Government bonds	275.5	279.4
Property related funds	5.7	6.5
Cash and cash equivalents	58.0	58.0
Other	101.4	108.8
Total fair value of assets	**689.5**	**790.3**
Present value of liabilities	**(715.8)**	**(806.5)**
Deficit	**(26.3)**	**(16.2)**

The amounts recognised in the income statement and in the statement of comprehensive income are analysed as follows:

Recognised in the income statement:	2025 £'m	2024 £'m
Administration cost	0.7	1.4
Past service credit	(8.5)	-
Recognised in operating costs in arriving at operating profit	**(7.8)**	**1.4**
Net interest cost/(credit) on plan obligations	0.7	(1.3)
Recognised in finance costs	**0.7**	**(1.3)**

Recognised in the statement of comprehensive income:	2025 £'m	2024 £'m
Changes in demographic assumptions	(2.4)	23.1
Changes in financial assumptions	74.5	8.8
Loss on assets (excluding amounts included in finance costs)	(99.4)	(44.4)
Other actuarial losses	(2.6)	(41.7)
Net actuarial losses	**(24.7)**	**(54.2)**
Contributions made by associated company	-	0.1
Net actuarial losses	**(24.7)**	**(54.1)**

The past service credit of £8.5m reported in the year was the result of three special events which occurred during the period. This comprised:

- the introduction of a Pension Increase Exchange Option (PIE) exercise for pensioners of £0.2m;
- the introduction of a PIE at retirement £1.0m; and
- offering members a second piece of advice from an Independent Financial Advisor £7.3m.

PIE provides eligible members with the opportunity to exchange some of their non-statutory pension increases in return for a higher pension.

Changes in the present value of the defined pension obligations are analysed as follows:

	2025 £'m	2024 £'m
At start of period	**806.5**	**805.2**
Past service credit	(8.5)	-
Interest cost	39.2	38.3
Benefits paid	(46.7)	(46.8)
Remeasurement:		
Changes in demographic assumptions	2.4	(23.1)
Changes in financial assumptions	(74.5)	(8.8)
Other actuarial (losses)/gains	(2.6)	41.7
At end of period	**715.8**	**806.5**

Changes in the fair value of plan assets are analysed as follows:

	2025 £'m	2024 £'m
At start of period	**790.3**	**823.1**
Interest income on scheme assets	38.5	39.6
Contributions by employers (including associated company)	7.5	20.2
Benefits paid	(46.7)	(46.8)
Scheme expenses	(0.7)	(1.4)
Remeasurement:		
Loss on assets (excluding amounts included in finance costs)	(99.4)	(44.4)
At end of period	**689.5**	**790.3**

Nature of benefits, regulatory framework and other entity's responsibilities for governance of the Scheme

The Scheme is a registered defined benefit scheme subject to the UK regulatory framework for pensions, including the scheme specific funding requirements. The Scheme is operated under trust and as such, the Trustee of the Scheme is responsible for operating the Scheme and it has a statutory responsibility to act in accordance with the Scheme's Trust Deed and Rules, in the best interest of the beneficiaries of the Scheme, and UK legislation (including Trust law). The Trustee has the power to set the contributions that are paid to the Scheme.

Risks to which the Scheme exposes the Company

The nature of the Scheme exposes the Company to the risk of paying unanticipated additional contributions to the Scheme in times of adverse experience. The most financially significant risks are likely to be:

- members living for longer than expected;
- higher than expected actual inflation;
- lower than expected investment returns; and
- the risk that movements in the value of the Scheme's liabilities are not met by corresponding movements in the value of the Scheme's assets.

Asset-liability matching strategies used by the Scheme or the Company

The Trustee's current investment strategy, having consulted with the Company, is to invest the majority of the Scheme's assets in a mix of equities and bonds, in order to strike a balance between:

- maximising the returns on the Scheme's assets; and
- minimising the risks associated with lower than expected returns on the Scheme's assets.

The Trustee is required to regularly review its investment strategy in light of the term and nature of the Scheme's liabilities.

Sensitivity to key assumptions

The costs of a pension arrangement require estimates regarding future experience. The financial assumptions used for IAS 19 reporting are the responsibility of the Directors of the Company. These assumptions reflect market conditions at the balance sheet date. Changes in market conditions which result in changes in the net discount rate (essentially the difference between the discount rate and the assumed rates of increases of salaries, deferred pension revaluation or pensions in payment), can have a significant effect on the value of the liabilities reported.

There has been no change in the methodology used to assess the impact of changes in assumptions. Approximate adjustments were made to the defined benefit obligations reflecting the mean term of the liability.

Impact of changes in assumptions compared with actuarial assumption for the NWPS:

Actuarial value of liabilities on 31 March 2025:

	£'m
0.25% reduction in discount rate	736.4
0.25% increase in inflation	729.2
1 year increase in life expectancy	742.4

Maturity profile of the defined benefit obligation for the year ended 31 March 2025:

	Number of members	Liability split (%)	Duration (years)
Deferred members	1,645	38	18
Pensioners	3,276	62	8

The WPS increases provisions

Court proceedings have recently commenced in relation to certain rules of the WPS section of the Scheme and how it is determined whether, in a year where RPI exceeds 5%, the increases for members in the WPS section should be capped at 5% or paid in line with RPI (uncapped). The Company has been engaging with the Trustee as to the correct interpretation of the WPS increases provisions and it has been agreed between the Company and the Trustee that this point should be put to Court in Part 8 proceedings. Where the Scheme is in deficit on a technical provisions basis, as is the case now, the way in which the Rules should operate is not clear, and the Court will be asked to confirm this.

Guaranteed minimum pension (GMP) equalisation

A High Court ruling in October 2018 confirmed that pension scheme benefits should be equalised between men and women for inequalities caused by GMPs earned between 1990 and 1997. A supplementary ruling in November 2020 confirmed that Trustees should consider past transfer values paid to leavers and potentially pay top-ups to the receiving scheme if transfers did not reflect equalised benefits.

We understand that an allowance has previously been made for GMP equalisation, including an allowance for unequalised transfer values, and so no further cost is reflected in the income statement.

Virgin Media Limited v NTL Pension Trustees Limited

We are aware of the ruling resulting from this case. The NWPS, like many pension schemes in the UK, may be impacted by the judgement in this case as it had benefits contracted out from the additional state pension between 1997 and 2016. An initial analysis has been carried out which has not identified any impact but detailed work has not been completed.

On 5 June 2025, the UK government stated its intention to introduce legislation to give pension schemes affected by the case the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards.

26. Related party disclosures

During the year, the Group entered into transactions, in the ordinary course of business, with other related parties.

Transactions entered into and trading balances outstanding at the balance sheet date between the Group and its associates, joint ventures and companies within the CKHH group, are as follows:

Trading transactions

	Sale of goods		Purchase of goods	
	31 March 2025 £'m	31 March 2024 £'m	31 March 2025 £'m	31 March 2024 £'m
Related party:				
Northern Gas Networks Limited	0.1	0.1	-	0.2
UK Power Networks (Operations) Limited	-	-	0.1	0.4
Anglian Water Business National Ltd	132.4	127.4	0.2	0.1
VLS	0.1	0.1	20.1	15.6
NWG Limited	1.1	1.2	2.5	1.7
TRICL	-	-	0.3	0.3

	Amounts owed by related party		Amounts owed to related party	
	31 March 2025 £'m	31 March 2024 £'m	31 March 2025 £'m	31 March 2024 £'m
Related party:				
Anglian Water Business National Ltd	10.3	9.8	-	-
VLS	1.3	1.5	18.2	13.3
NWG Limited	4.1	2.8	10.1	1.8

Sales to jointly controlled entities include £132.4m (2024: £127.4m) in respect of non-household wholesale charges.

Purchases from jointly controlled entities include £7.5m (2024: £4.3m) in respect pf capital purchases under leases, £8.6m (2024: £7.8m) in respect of costs payable under leases and £4.1m (2024: £3.6m) in respect of other purchases.

The Group also surrendered Group tax relief of £0.3m (2024: £0.3m) to CELTS, an associated company.

Other related transactions direct with NWGL during the year included dividend payments of £40.4m (2024: £65.8m), and the receipt of an intercompany loan to the value of £40m (2024: £58.5m).

For jointly controlled entities, outstanding balances due from related parties are expected to be settled within 60 days and amounts due to related parties are in respect of leasing and loan arrangements, wholesale charges and the provision of guarantees, where the amounts owed will relate specifically to the terms of the respective agreements. Payments for tax losses are based on the tax rate in force for the period.

Remuneration of key management personnel

Key management personnel comprise the Directors of the NWL. The remuneration of the key management personnel is included within the amounts disclosed below:

	Year to 31 March 2025 £'m	Year to 31 March 2024 £'m
Short term employee benefits	1.1	1.1
Other long-term employee benefits	0.2	0.1
	1.3	**1.2**

27. Ultimate parent undertaking and controlling party

NWGL is the Company's immediate parent undertaking and, in the Directors' opinion, the Company's ultimate parent undertaking and controlling party. NWGL is incorporated in England and Wales.

The parent undertaking of the largest group of undertakings for which group Financial Statements are drawn up, and of which the reporting company is a member, is NWGL. Copies of NWGL's group Financial Statements will be available in due course from its registered office at Northumbria House, Abbey Road, Pity Me, Durham DH1 5FJ.

28. Prior year adjustment

The Group has identified overstatements in the accrued accretion charges for the index-linked arrangements of certain borrowings in previous financial statements. The Group's financial performance and position, net debt and cash flows have not been adversely impacted.

As a result, the Group has restated finance costs in the consolidated income statement and non-current liabilities and reserves in the consolidated balance sheet. Comparative information has been restated in the consolidated income statement and balance sheet, as set out below:

	Reported 31 March 2024 £'m	Change £'m	Restated 31 March 2024 £'m	Reported 31 March 2023 £'m	Change £'m	Restated 31 March 2023 £'m
Income statement:						
Finance costs						
Accretion on index-linked bonds	99.4	(24.2)	75.2	-	-	-
Taxation						
Deferred taxation	(11.7)	6.0	(5.7)	-	-	-
Balance sheet:						
Non-current liabilities						
Borrowings	(3,864.0)	111.2	(3,752.8)	(3,645.0)	87.0	(3,558.0)
Deferred tax liabilities	(591.1)	(27.8)	(618.9)	(604.0)	(21.8)	(625.8)
Capital and reserves						
Profit and loss account	(68.5)	83.4	14.9	39.2	65.2	104.4

Independent auditor's report to the members of Northumbrian Water Limited

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Northumbrian Water Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2025 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the related consolidated notes 1 to 28; and
- the related parent company notes 1 to 16.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRS Accounting Standards as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

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

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year for group and parent company was: • Provision for bad and doubtful debt. • Going Concern Within this report, key audit matters are identified as follows: Similar level of risk Newly identified
Materiality	The materiality that we used in the current year for the group financial statements was £13.6m which was determined based on 3% of the group's Earnings Before Interest, Tax and Amortisation (EBITDA).
Scoping	We performed an audit of the entire financial information for Northumbrian Water Limited and specific procedures on certain account balances for Reiver Finance Limited, Bakethin Finance PLC and Northumbrian Water Finance PLC which together accounted for 91% of the group's net assets and 100% of the group's EBITDA.
Significant changes in our approach	We have identified a new key audit matter in the current year in relation to going concern as a result of the group's decision to refer Ofwat's final determination to the competition and market authority (CMA). Additionally, due to increased public scrutiny around water companies, particularly due to the ongoing uncertainty over Thames Water, and due to increased capital expenditure requirements under AMP8, the requirement for finance as a consequence has increased. These led to an increase in the level of judgement made by directors and an increase in both experience and specialist audit resources being allocated.

4. Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting is discussed in section 5.2.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent 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.

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified.

These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1 Provision for bad and doubtful debt

Key audit matter description

At 31 March 2025 the bad debt provision was £91.7m (2024: £86.2m). The bad debt charge of £19m represented 2.6% of total household turnover (2024: £13.2m and 2.1% of total household turnover).

A proportion of the group's customers do not or cannot pay their water bills, which results in the need for a provision to be made for the risk of non-payment of the customer balance. The bad debt provision is material, a key area of estimation uncertainty within the group and an area of scrutiny by Ofwat.

The provision is based on assumptions made on the forecast and historic collectability of debts across both invoiced amounts and accrued revenues. The value of the bad debt provision is determined by applying a range of percentages to debt of different ages with higher percentages applied to different categories of debt depending on an assessment of the level of risk of default. There is a significant customer base, and regulations do not allow the company to interrupt water supply to domestic customers. The valuation of the bad debt provision is sensitive to the specific percentages applied, which are judgemental.

The provision for bad and doubtful debts is complex in nature and subject to estimation uncertainty and hence we have considered this to be a key audit matter. Due to the complexity of the provision, we deem this as a potential fraud risk for our audit, focused on the provisioning rates which are set using experience of cash collection in historical periods and potential impacts of forward-looking macro-economic factors on collectability, applied in the household bad debt provision to provide an expectation of future credit losses under IFRS 9, Financial Instruments.

This is included as an area involving estimation in note 1(r) to the financial statements, and the relevant accounting policy adopted is disclosed in note 1(p). The closing bad debt provision as at 31 March 2025 is disclosed in note 14 and the year-on-year bad debt charge is disclosed in note 3.

How the scope of our audit responded to the key audit matter

In response to this matter, we have performed the following procedures:

- obtained an understanding of relevant controls within the bad debt provision estimation process;
- compared the assumptions made by directors in calculating the provision to evidence provided from historical collection data;
- tested a sample of bad debt write offs occurring throughout the year as well as instances where the provision has been utilised;
- tested the cash collection information given it is a key input into the debt matrix;
- tested the accuracy of the aged debtor balance and the ageing categories applied;
- assessed and challenged the reasonableness of judgements made in respect of likely future events;
- reviewed the receivables ageing report and assessed whether overdue debtors are appropriately provided for; and
- reviewed the disclosures made in the financial statements in line with the requirements of the relevant accounting standards.

Key observations

Based on the work performed above, we are satisfied that the bad debt provision is reasonable and management's judgements are appropriate.

5.2 Going Concern

Key audit matter description

Due to the group's decision to refer Ofwat's final determination to the competition and market authority (CMA), the increased public scrutiny around water companies, and the increased capital expenditure requirements under AMP 8, the group's requirement for finance as a consequence has increased.

The directors have considered the impact of these increased uncertainties within their assessment of going concern and forecasting of future cashflows, and have identified the requirement to raise an estimated £400m to fund increased investment during AMP8. To meet this, and ongoing cashflow commitments, the directors have identified:

- the availability of banking facilities of £500m, of which £75m of the £375m available at the balance sheet date were drawn, page 92; and
- £4.7bn available under the EMTN programme, page 92, as approved by the board, enabling the Group to raise sufficient debt financing as required.

The directors have assessed the ability to raise finance demonstrated by the £140m of new debt issuance, received after the balance sheet date.

We identified this as a key audit matter due to the increase in the level of judgement made by directors, such as assumptions over expected coupon rates and the impact of potential credit rating downgrade, and an increase in both experience and specialist audit resources being allocated.

The directors have considered this judgement within their consideration of going concern in the directors' report on page 92 and have provided disclosures on going concern in note 1(d) to the financial statements.

How the scope of our audit responded to the key audit matter

In response to this matter, we have performed the following procedures:

- Assessed financing facilities including availability and access at the balance sheet date, the nature of facilitates, repayment and expiration terms associated with covenants;
- Understood and assessed how management have considered the current conditions within the sector and how these impact the going concern assessment;
- Challenged assumptions used in forecasts, including the effects of AMP8 from the Ofwat final determination, the CMA appeal uncertainty, the ability to raise new debt, assumptions over expected coupon rates and the impact of potential credit rating downgrade;
- Evaluated the amount of headroom in these forecasts, focusing on cash and covenants associated with financing activities;
- Performed sensitivity analysis to assess how headroom within forecasts is affected by variations within assumptions; and
- Evaluated the appropriateness of disclosure in the financial statements..

Key observations

Based on the work performed above, we have concluded that the directors' use of the going concern basis of accounting in preparation of the financial statements and associated disclosure is appropriate.

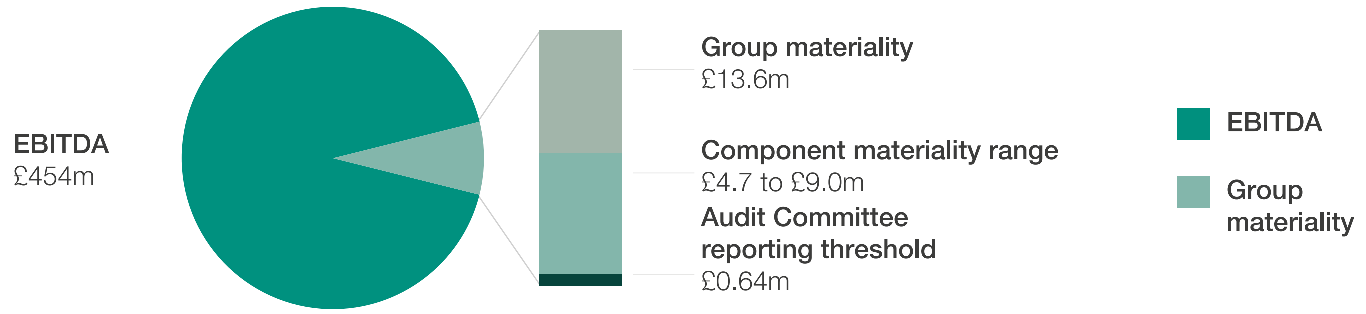
6. Our application of materiality

6.1.Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£13.6m (2024: £12.85m)	£12.8m (2024: £12.2m)
Basis for determining materiality	The materiality equates to 3% (2024: 3.5%) of the group's Earnings Before Interest, Tax and Amortisation (EBITDA).	Parent company materiality equates to 2.9% (2024: 3.4%) of the company's Earnings Before Interest, Tax and Amortisation (EBITDA).
Rationale for the benchmark applied	EBITDA was selected as the appropriate measure on which to determine materiality as this is the key metric the board use to assess the performance of the business.	



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2024: 70%) of group materiality	70% (2024: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • our consideration of the group's control environment; • our consideration of deficiencies noted in the functioning of the key business operations, as discussed in section 7.2; • the limited number of changes to the business and the limited turnover of management and key accounting personnel during the year; and • the history of a low number of corrected and uncorrected misstatements identified in previous periods.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £640,000 (2024: £600,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

The group comprises Northumbrian Water Limited ('NWL') (the regulated water and water recycling business) and its subsidiary companies consisting of the Asset Based Funding ('ABF') entities (for the ABF arrangement) and group's financing entities including Northumbrian Water Finance plc, Reiver Holdings Limited, Reiver Finance Limited, Bakethin Holdings Limited and Bakethin Finance plc.

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

We performed full scope audit procedures for Northumbrian Water Limited and the associated consolidation adjustments for the NWL consolidation and specific procedures on certain account balances for Reiver Finance Limited, Bakethin Finance PLC and Northumbrian Water Finance PLC which together accounted for 91% (2024: 90%) of the group's net assets and 100% (2024: 98%) of the group's EBITDA. All procedures were carried out directly by the group audit team.

7.2. Our consideration of the control environment

We involved our IT specialists to obtain an understanding of and tested the relevant controls over the group's IT systems, with the key systems identified being Oracle EBS Financials ('Oracle') and Customer Care & Billing system (CC&B) for their use as the general ledger system for financial reporting and the customer revenue and billing system respectively. Oracle has been identified as a key system for the group, while CC&B has been identified as a key system for the parent company only. As reported to the Audit Committee, we did not adopt nor plan to adopt a controls reliance approach in the current year, due to IT deficiencies, these deficiencies were not significant individually or in aggregate. Where any deficiencies in controls have been identified we have assessed the severity of these deficiencies and their impact on our audit procedures, both individually and in aggregate, while identifying and considering any mitigating controls.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the group's business and its Financial Statements. We have evaluated management's documentation regarding the process of identifying climate-related risks and the impact on the Financial Statements. Whilst management have acknowledged the risks posed by climate change, they have assessed that there is no quantitatively material impact arising from climate change on the judgements and estimates made in the Financial Statements for the year ended 31 March 2025 , as disclosed on page 57.

As part of our audit, we performed our own qualitative risk assessment of the potential impact of climate change on the group's account balances and classes of transactions and did not identify any additional reasonably possible risks of material misstatement as a result of climate change. Our procedures were performed with the involvement of climate change and sustainability specialists, which included reading the climate-related disclosures included in the Strategic Report to consider whether they are materially consistent with the Financial Statements and our knowledge obtained in the audit.

8. Other information

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

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

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

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

10. Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

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

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board;
- results of our enquiries of management, internal audit, key individuals involved in the financial reporting process and financial statement preparation process and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - o identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance, including the wastewater disclosure in note 24 to the financial statements;
  - o detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - o the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, pensions and IT regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: Provision for bad and doubtful debt, and revenue recognition relating to the valuation of unbilled revenue accrual. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, HMRC, and OFWAT Pricing and customer service requirements.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

These included the group's compliance with the following: regulations surrounding pollution of water, the Drinking Water Inspectorate (DWI), the consumer council for water, Health and Safety regulations, the Employment Act and with the Environment Agency.

11.2. Audit response to risks identified

As a result of performing the above, we identified the provision for bad and doubtful debt as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims including the disclosures in note 24 to the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- assessing the accounting treatment and disclosure of the enforcement package imposed by Ofwat in relation to the wastewater investigation as disclosed in note 24 to the financial statements;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with any relevant regulatory authorities; and
- in addressing the risk of fraud in revenue recognition relating to the valuation of unbilled revenue accrual, we have performed the following procedures;
  - o tested the accrued income balance for unread meters as at the year end, including a retrospective review of the prior year accrual and any manual adjustments made to the current year accrual by management; and
  - o observed physical meter reads and traced these through to the relevant bills and accruals.
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Use of our report

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

David Johnson FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP, Statutory Auditor
Leeds, United Kingdom 14 July 2025

Company Financial Statements

Company Balance Sheet

at 31 March 2025 (Registered number 02366703)

	Note	2025 £'m	Restated 2024 £'m
Non-current assets			
Intangible assets	2	57.4	55.2
Property, plant and equipment	3	5,746.4	5,307.2
Investments in subsidiary undertakings	4	453.1	453.1
Loans to subsidiary undertakings	5	2.1	2.0
Pension asset	14	60.1	72.3
Current assets		**6,319.1**	**5,889.8**
Inventories	6	14.9	10.3
Trade and other receivables	7	278.1	264.0
Derivatives	11	2.8	-
Cash and cash equivalents		110.8	36.6
Current assets		**406.6**	**310.9**
Total assets		**6,725.7**	**6,200.7**
Current liabilities			
Trade and other payables	8	(310.9)	(267.5)
Borrowings	9	(350.5)	(220.9)
Derivatives	11	(77.8)	-
Provisions	10	(0.5)	(0.1)
Non - current liabilities		**(739.7)**	**(488.5)**
Borrowings	9	(4,357.2)	(4,062.7)
Provisions	10	(5.6)	(3.8)
Deferred tax liabilities		(654.7)	(633.4)
Derivatives	11	(44.1)	(101.3)
Grants and deferred income	12	(616.2)	(592.3)
Non-current liabilities		**(5,677.8)**	**(5,393.5)**
Total liabilities		**(6,417.5)**	**(5,882.0)**
Net assets		**308.2**	**318.7**
Capital and reserves			
Share capital	13	122.7	122.7
Cash flow hedge reserve		2.1	5.4
Profit and loss account		183.4	190.6
Equity attributable to the shareholder of the Company		**308.2**	**318.7**

The profit dealt with in the financial statements of the parent Company is £50.3m (2024: loss £13.7m).

Approved by the Board of Directors on 14 July 2025 and signed on their behalf by: **H Mottram**

H Mottram

Company statement of changes in equity

For the year ended 31 March 2025

	Share capital £'m	Cash flow hedge reserve £'m	Retained earnings £'m	Total equity £'m
At 31 March 2023	**122.7**	**7.0**	**216.8**	**346.5**
Prior year adjustments (note 16)	-	-	65.2	65.2
At 1 April 2023	**122.7**	**7.0**	**282.0**	**411.7**
Loss for the year	-	-	(13.7)	(13.7)
Prior year adjustments (note 16)	-	-	18.2	18.2
Other comprehensive expenses	-	(1.6)	(40.5)	(42.1)
Total comprehensive expenses	**-**	**(1.6)**	**(36.0)**	**(37.6)**
Dividends	-	-	(55.4)	(55.4)
At 31 March 2024	**122.7**	**5.4**	**190.6**	**318.7**
Profit for the year	-	-	50.3	50.3
Other comprehensive expense	-	(3.3)	(17.1)	(20.4)
Total comprehensive expense for the year	**-**	**(3.3)**	**33.2**	**29.9**
Dividends	-	-	(40.4)	(40.4)
At 31 March 2025	**122.7**	**2.1**	**183.4**	**308.2**

Other comprehensive income and expense taken to the cash flow hedge reserve arises from the cumulative amount of gains or losses on hedging instruments, and associated deferred tax, taken directly to equity under the hedge accounting provisions of International Accounting Standard (IAS) 39.

Other comprehensive income and expense taken to retained earnings arises from actuarial revaluations, and associated deferred tax, on the Company's defined benefit pension scheme taken directly to equity.

Notes to the company financial statements
for the year ended 31 March 2025

1. Accounting policies

NWL is incorporated in the UK under the Companies Act 2006. The Company is a private company limited by shares and is registered in England and Wales. The address of the Company's registered office is shown on page 97. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 10.

These Financial Statements are presented in pounds sterling and all values are rounded to the nearest one hundred thousand pounds (£0.1m) except where otherwise indicated.

The consolidated Financial Statements above include the Company's capital commitments which can be found in note 23 and the Company's contingent liability information which can be found in note 24.

These Financial Statements are separate financial statements.

(a) Basis of accounting

The Company meets the definition of a qualifying entity under FRS 100 issued by the Financial Reporting Council. Accordingly, these financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 100, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cash flow statement, financial instruments, standards not yet effective, related party transactions and remuneration of key management personnel. As permitted by s408 of the Companies Act 2006, no profit and loss account has been presented for the parent Company.

Where relevant, equivalent disclosures have been given in the group accounts of NWL. For deferred tax and dividend information please see note 8(d) and note 9.

These Financial Statements have been prepared in accordance with FRS101, incorporating the Amendments to FRS101 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 and the Companies Act 2006.

The Financial Statements have been prepared under the historical cost convention, with the exception of financial instruments held at fair value through profit and loss.

The Financial Statements have been prepared on a going concern basis, having considered the principal risks and uncertainties, which assumes that the Company will have adequate funding to meet its liabilities as they fall due in the foreseeable future. As at 31 March 2025, the Company had net current liabilities of £333.1m (2024: £177.6m). The Directors have reviewed cash flow requirements and other factors, in particular the £450m committed bank facility, which was £375m undrawn at 31 March 2025 and extended to £500m after the balance sheet date, and £140m of new loans which were received after the balance sheet date, as described in the going concern statement on page 92 of the Directors' Report. Accordingly, the Directors believe it is appropriate to prepare the financial statements on a going concern basis.

(b) Revenue

Revenue, which excludes Value Added Tax, represents the income receivable in the ordinary course of business for services provided within the UK. In accordance with IFRS 15 Revenue from Contracts with Customers revenue is recognised as performance obligations to the customer are satisfied.

The Company's principal source of revenue is from water and wastewater charges to customers, which are recognised over the period which the services are provided. For volumetric charges to measured customers, revenue is recognised as the service is supplied. For measured charges which have not yet been billed, an accrual is made based on an estimate of consumption. Wholesale charges for non-household customers are estimated on the basis of market information provided by Market Operator Services Limited.

A secondary source of revenue is contributions to capital investment, particularly from developers.

For contributions related to the connection of new properties to the Company's networks, comprising infrastructure charges, new connection charges, requisitioned mains and sewers and adopted assets, the Company considers that these activities form a combined performance obligation that is not distinct from the ongoing provision of water and wastewater services through the new connection. On this basis, these contributions are recognised as deferred income and amortised to the income statement over the expected useful life of the connection, per note 1(f).

For other contributions to capital investment, most significantly mains and sewer diversions, the Company considers that the performance obligation is satisfied upon completion of the investment, which will typically be the point at which the associated asset is brought into use. On this basis, these contributions are recognised in full in the income statement upon satisfaction of the performance obligation. Contributions received before the performance obligation is satisfied are recorded as receipts in advance.

(c) Intangible assets

Intangible assets, primarily comprising computer software, are recognised at cost less accumulated amortisation and any provision for impairment. Computer software is amortised evenly over its estimated economic life of 2 to 25 years. Intangible assets in development are not amortised until commissioned. Amortisation is charged to the income statement through operating costs.

Expenditure on internally developed intangible assets, excluding development costs, is taken to the income statement in the period in which it is incurred. Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Development expenditure is recognised as an intangible asset only after its technical feasibility and commercial viability can be demonstrated, the availability of adequate technical and financial resources and an intention to complete the project have been confirmed and the correlation between development costs and future revenues has been established.

In accordance with IFRIC guidance regarding 'Customer's Right to Receive Access to the Supplier's Software Hosted on the Cloud' and 'Configuration or Customisation Costs in a Cloud Computing Arrangement', costs of configuring and implementing 'software-as-a-service' systems, where the Company does not control the asset and the services are not provided by the SaaS provider, are expensed to the income statement in the year in which they are incurred.

(d) Property, plant and equipment

Property, plant and equipment, including assets in the course of construction, comprise infrastructure assets (being mains and sewers, impounding and pumped raw water storage reservoirs, dams, sludge pipelines and sea outfalls) and other assets (including properties, vehicles and above ground plant and equipment).

Purchased property, plant and equipment are included at cost less accumulated depreciation and any provision for impairment. Cost comprises the aggregate amount incurred and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Where assets are constructed by a developer and adopted by NWL at no cost to the Company, the assets are recognised in the balance sheet at their fair value on the date of the transfer and an equivalent value is recognised in deferred income, in accordance with IFRIC 18 Transfers of Assets from Customers. The fair value is based on the average cost to the Company of constructing an equivalent asset.

Upon their initial recognition, right-of-use assets are valued at the initial measurement of the corresponding lease liability (note 1(g)), less lease payments made at or before the commencement day, any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are presented as a separate line in note 11 of the consolidated statements.

Freehold land is not depreciated. Other assets are depreciated evenly over their estimated economic lives, which are principally as follows:

Freehold buildings	**30-60 years**
Operational structures, plant and machinery	**4-92 years**
Infrastructure assets (see below)	**4-200 years**
Fixtures, fittings, tools and equipment	**4-25 years**

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and, where adjustments are required, these are made prospectively.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Assets in the course of construction are not depreciated until commissioned.

Infrastructure assets

Infrastructure assets comprise a network of systems being mains and sewers, reservoirs, dams and sea outfalls.

Expenditure on infrastructure assets which enhances the asset base is treated as fixed asset additions while maintenance expenditure which does not enhance the asset base is charged as an operating cost.

Infrastructure assets are depreciated evenly to their estimated residual values over their estimated economic lives, which are principally as follows:

Dams and impounding reservoirs	**150 years**
Water mains	**100 years**
Sea outfalls	**60 years**
Sewers	**200 years**
Dedicated pipelines	**4-20 years**

(e) Financial investments

Financial investments are stated at their purchase cost, less provision for diminution in value (note 12).

(f) Grants and contributions

Grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Revenue grants are credited to the income statement in the period to which they relate.

Grants and contributions related to the connection of new properties to the Company's networks, comprising infrastructure charges, new connection charges, requisitioned mains and sewers and adopted assets, are recognised as deferred income and amortised to the income statement over the expected useful life of the connection, as explained in note 1(b).

Other grants and contributions to capital investment, most significantly mains and sewer diversions, are recognised in full in the income statement upon satisfaction of the performance obligation to the customer, which is the point at which the associated asset is brought into use. Up to this point, any contributions received are reported as receipts in advance.

(g) Leases

The Company assesses whether a contract is or contains a lease, at the inception of a new contract and recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented within Borrowings in the Balance sheet and as a separate line within note 9.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in operating costs in the Income Statement.

(h) Inventories

Inventories are stated at cost less any provision necessary to recognise damage and obsolescence. All stock is used internally and therefore no fair value less costs to sell considerations are required. Inventory is charged at average cost upon use.

(i) Pension costs

The Company is the principal employer of the NWPS, a defined benefit scheme which is closed to future accrual.

The present value of the defined benefit obligation is determined using the projected unit credit method, which attributes entitlement to benefits to the current and prior periods and is based on actuarial advice. Past service costs are recognised in the income statement on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs. Net interest is calculated by applying the discount rate to the net defined asset or liability.

The service cost and scheme expenses are disclosed in manpower costs and the net interest expense is disclosed within finance costs.

Actuarial gains and losses on experience adjustments and changes in actuarial assumptions are recognised in full in the period in which they occur in the statement of comprehensive income.

The Company participates in a defined contribution pension arrangement. The costs of the defined contribution scheme are charged to the income statement in the period they arise.

(j) Taxation

Current tax

Current tax assets and liabilities are measured at the amount expected to be paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted, or substantively enacted, at the balance sheet date.

Deferred tax is recognised in the income statement, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

(k) Foreign currency

All transactions denominated in foreign currencies are translated into sterling at the actual rates of exchange ruling at the date of transaction. Foreign currency balances are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange gains or losses are recognised in the profit and loss account in the period incurred.

(l) Research and development

Research and development expenditure is charged to the income statement in the period in which it is incurred.

(m) Derivative financial instruments

The Company utilises interest and inflation rate swaps, gilt locks and forward exchange contracts as derivative financial instruments.

A derivative instrument is considered to be used for hedging purposes when it alters the risk profile of an underlying exposure of the Company in line with the Group's risk management policies. Derivative financial instruments are stated at their fair value.

Hedge accounting is employed in respect of those derivative financial instruments fulfilling the requirements for hedge accounting as prescribed under IFRS 9. The Company has not applied hedge accounting criteria under IFRS 9 on a retrospective basis. Existing derivative financial instruments, if eligible for hedge accounting, continue to apply the hedging criteria under the provisions of IAS 39. Any new instruments will apply IFRS 9.

Derivative financial instruments are measured at fair value, which is considered to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction reflecting the credit risk of the counterparties in the principal (or most advantageous) market under market conditions as at the balance sheet date.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swaps and inflation swaps are determined by reference to market values for similar instruments.

Hedging transactions undertaken by the Company are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability, or cash flow hedges where they hedge exposure to variability in currency cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction.

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from re-measuring the hedging instrument at fair value is recognised immediately in the income statement.

In relation to cash flow hedges to hedge firm currency commitments which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in the cash flow hedge reserve and the ineffective portion is recognised in the income statement.

When the hedged firm commitment results in the recognition of a non-financial asset or a non-financial liability then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in the cash flow hedge reserve are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognised in the cash flow hedge reserve are transferred to the income statement in the same periods in which the hedged firm commitment affects the income statement.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in the cash flow hedge reserve is kept in the cash flow hedge reserve until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in the cash flow hedge reserve is transferred to the income statement.

(n) Interest bearing loans and borrowings

All loans and borrowings are initially stated at the amount of the net proceeds, being fair value of the consideration received net of issue costs associated with the borrowing.

Fixed rate borrowings are stated at amortised cost. Finance and issue costs are recognised in the income statement over the duration of the borrowing using the effective interest rate method.

The carrying amount of index linked borrowings increases annually in line with the relevant RPI, with the accretion being charged to the income statement as finance costs payable. Other borrowing costs are recognised as an expense when incurred and fees are recognised evenly over the duration of the borrowing.

Realised gains and losses that occur from the early termination of loans and borrowings are taken to the income statement in that period.

Net debt is the sum of all loans and borrowings less cash and cash equivalents, short-term cash deposits, financial investments and loans receivable.

(o) Bad debt provisioning

The bad debt provision is calculated by applying a range of percentages to debt of different ages. These percentages also vary between different categories of debt. Higher percentages are applied to those categories of debt which are considered to be of greater risk and also to debt of greater age.

(p) Borrowing costs

Borrowing costs are generally expensed as incurred. Borrowing costs that are directly attributable to the acquisition or construction of an asset that necessarily takes a substantial time to prepare for its intended use are capitalised while the asset is being constructed as part of the cost of that asset.

Capitalisation ceases when the asset is substantially ready for its intended use or sale. If active development is interrupted for an extended period, capitalisation is suspended. When construction occurs piecemeal, and use of each part ceases upon substantial completion of that part, a weighted average cost of borrowings is used.

(q) Significant accounting judgements and key sources of estimation uncertainty

In the process of applying the accounting policies, the Company is required to make certain judgements, estimates and assumptions that it believes are reasonable based on the information available. Actual results may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The significant accounting judgement was:

- the asset lives assigned to property, plant and equipment, details of which can be found in note 1(d) above.

The significant accounting estimates were:

- the estimation of income for measured water and sewerage services supplied to household customers but not billed at the end of the financial period. Consumption is billed in arrears on a six-monthly cycle. Revenue is estimated and accrued using a defined methodology based upon historical usage and the relevant tariff per customer. A variation of 25% in the accrual would change revenue by £13.6m;
- those assumptions used in arriving at the defined benefit pension scheme assets and liabilities under IAS 19. These key assumptions and their possible impact are disclosed in note 25; and
- the doubtful debt provision, reported in note 14, which is determined by estimating expected credit losses based on the Company's historical experience of irrecoverable debts. Debt is segmented according to the age of the debt, payment history and type of debt (for example current or previous occupier). Higher provisioning percentages are applied to categories of debt which are considered to be of greater risk, including those with a poor payment history as well as to those of greater age. Bad debt provisioning rates are reviewed annually to reflect the latest collection performance data from the Company's billing system. Potential impacts of forward-looking macro-economic factors on collectability are also considered. A reduction of 0.3% in the long-term collection rate would increase the provision by £12.9m.

(r) Transition to new accounting standards in the period

At the date of signing these financial statements, there are no standards or interpretations in issue but not yet adopted which the Directors anticipate will have a material impact on the Company.

2. Intangible assets

	Note	Software £'m	Assets in development £'m	Total £'m
Cost:				
At 1 April 2024		142.2	10.7	152.9
Additions		-	11.1	11.1
Transfers		13.4	(13.4)	-
At 31 March 2025		**155.6**	**8.4**	**164.0**
Amortisation:				
At 1 April 2024		97.7	-	97.7
Charge for the year		8.9	-	8.9
At 31 March 2025		**106.6**	**-**	**106.6**
Carrying value:				
At 31 March 2025		**49.0**	**8.4**	**57.4**
At 31 March 2024		44.5	10.7	55.2

Cumulative borrowing costs capitalised in the cost of intangible assets amount to £5.0m (2024: £4.4m). The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 5.03% (2024: 4.76%).

3. Property, plant and equipment

	Freehold land and buildings £'m	Infrastructure assets £'m	Operational, structures, plant and machinery £'m	Fixtures, fittings, tools and equipment £'m	Assets in the course of construction £'m	Total £'m
Cost:						
At 1 April 2024	168.2	3,432.6	3,719.7	262.7	466.1	8,049.3
Additions / adjustments	2.1	23.7	0.4	-	569.3	595.5
Schemes commissioned	4.5	150.6	364.7	25.5	(545.3)	-
Reclassifications	-	-	-	-	-	-
Disposals	-	(2.3)	(5.8)	-	-	(8.1)
At 31 March 2025	**174.8**	**3,604.6**	**4,079.0**	**288.2**	**490.1**	**8,636.7**
Depreciation:						
At 1 April 2024	79.0	545.4	1,891.8	225.9	-	2,742.1
Charge for the year	4.0	32.7	112.2	7.4	-	156.3
Reclassifications	-	-	-	-	-	-
Disposals	-	(2.3)	(5.8)	-	-	(8.1)
At 31 March 2025	**83.0**	**575.8**	**1,998.2**	**233.3**	**-**	**2,890.3**
Carrying value:						
At 31 March 2025	**91.8**	**3,028.8**	**2,080.8**	**54.9**	**490.1**	**5,746.4**
At 31 March 2024	89.2	2,887.2	1,827.9	36.8	466.1	5,307.2

Right of use assets included above:						
Additions in the year	2.1	-	7.5	-	-	9.6
Depreciation charge for the year	0.2	0.5	4.3	-	-	5.0
Carrying value at 31 March 2025	**3.9**	**40.8**	**17.0**	**-**	**-**	**61.7**
Carrying value at 31 March 2024	2.0	41.3	13.8	-	-	57.1

Operational structures, plant and machinery include an element of land dedicated to those assets. It is not possible to separately identify the value of all land assets.

Cumulative borrowing costs capitalised in the cost of property, plant and equipment amount to £119.3m (2024: £97.4m). The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 5.03% (2024: 4.76%).

4. Investments in subsidiary undertakings

	2025 £'m	2024 £'m
Investments in subsidiary undertakings	453.1	453.1

The investment in subsidiary undertakings represents the investment in Northumbrian Water Company 1 Scottish Limited Partnership under the ABF arrangement.

The Company's interests in subsidiaries at 31 March 2025 were as follows:

Name of undertaking	Country of incorporation or registration and operation	Description of shares held	Proportion of nominal value of issued shares held by Company (%)	Business activity
Northumbrian Water Finance plc	England and Wales	Ordinary shares of £1	100	Financing company
Reiver Finance Limited	England and Wales	Ordinary shares of £1	100	Special purpose financing vehicle
Reiver Holdings Limited	England and Wales	Ordinary shares of £1	100	Holding company
Northumbrian Water Company 1 Limited	Scotland	Ordinary shares of £1	100	General Partner
Northumbrian Water Company 2 Limited	Scotland	Ordinary shares of £1	100	General Partner
Northumbrian Water Company 3 Limited	Scotland	Ordinary shares of £1	100	Financing company

The registered office of the subsidiaries operating in England and Wales is Northumbria House, Abbey Road, Pity Me, Durham DH1 5FJ. Holdings are direct other than Reiver Finance Limited which is indirect.

The registered office of the subsidiaries operating in Scotland is 10/1 Capella Building, 60 York Street, Glasgow, United Kingdom, G2 8JX.

The Company is a partner in Northumbrian Water Company 1 Scottish Limited Partnership and Northumbrian Water Company 2 Scottish Limited Partnership, registered in Scotland.

The Company also has two quasi-subsidiary special purpose entities, Bakethin Holdings Limited, which is wholly owned by Bakethin Charitable Trust, and Bakethin Finance Plc, which is a wholly owned subsidiary of Bakethin Holdings Limited. The principal activity of Bakethin Finance Plc is as a special purpose financing vehicle.

The registered office of the two quasi-subsidiaries is c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, United Kingdom, EC2R 7AF.

5. Loans to subsidiary undertakings

	2025 £'m	2024 £'m
Loans to subsidiary undertakings	2.1	2.0

In May 2004, the Company made a loan of £1.5m to Bakethin Holdings Limited, maturing in January 2034. The interest on the loan is capitalised and at 31 March 2025 the balance was £2.0m (2024: £1.9m).

6. Inventories

	2025 £'m	2024 £'m
Raw materials and consumables	14.9	10.3

7. Trade and other receivables

	2025 £'m	2024 £'m
Trade receivables	236.2	221.3
Doubtful debt provision	(91.7)	(86.2)
Income tax recoverable	-	0.2
Amounts owed by other Group companies	6.5	4.5
Other receivables	12.1	20.2
Prepayments	9.4	6.5
Interest prepayments	-	1.8
Accrued income	105.6	95.7
Trade and other receivables	**278.1**	**264.0**

Amounts owed by other Group companies includes £1.6m (2024: £0.3m) in respect of tax losses surrendered by the Company. The remaining amounts owed by other Group companies include £4.1m due from NWGL (2024: £2.6m) and £0.8m (2024: £1.2m) due from fellow subsidiary companies, which are due on demand with no fixed repayment date and bear no interest.

Other receivables of £12.1m is predominantly made up of VAT amounts receivable of £11.9m.

8. Trade and other payables

	2025 £'m	2024 £'m
Trade payables	61.3	52.6
Amounts owed to other Group companies	10.1	1.9
Taxation and social security	4.0	3.7
Receipts in advance	28.5	22.4
Other payables	16.3	15.1
Deferred income	15.5	11.6
Capital accruals	69.9	62.4
Interest accruals	59.9	51.7
Other accruals	45.4	46.1
Trade and other payables	**310.9**	**267.5**

The amounts owed to other Group companies of £10.1m (2024: £1.9m) is owed to NWGL and is due on demand with no fixed repayment date and bears no interest.

Other payables of £16.3m predominantly comprises of retentions, deposits held, and cash collected on behalf of other WASCs under collection agreements.

9. Borrowings

	Note	2025 £'m	Restated 2024 £'m
Current:			
Bank overdrafts	16(a)	41.1	23.4
Current instalments due on external borrowings	16(a)	251.1	124.5
Current instalments due on internal borrowings	16(b)	53.3	69.1
Current instalments due on leases	17	5.0	3.9
Current borrowings		**350.5**	**220.9**
Non-current:			
Non-current instalments due on external borrowings	16(a)	348.5	521.8
Non-current instalments due on internal borrowings	16(b)	3,940.6	3,477.0
Non-current instalments due on leases	17	68.1	63.9
Non-current borrowings		**4,357.2**	**4,062.7**

(a) External borrowings

Bank overdrafts are repayable on demand and bore interest at an average rate of 5.75% during the year.

Loans wholly repayable within five years amount to £1,305.2m (2024: £1,713.8m).

Loans not wholly repayable within five years amount to £3,289.4m (2024: £2,443.5m) and bear interest rates in the range 1.625% to 6.375%.

The fair value loss on the Company's outstanding interest rate and RPI swaps in the year to 31 March 2025 was £4.2m (2024: £14.3m) in relation to interest rate swaps with a notional principal of £350m (2024: £350m).

(b) Internal borrowings

Included in internal borrowings is £40.0m (2024: £58.5m) owed to NWGL in respect of an overnight borrowing which incurs interest at a rate of 5.5% (2024: 6.25%).

Internal borrowings includes £530.4 (2024: £541.0) in respect of a loan note issued to NWL by Northumbrian Water Company 1 Scottish Limited Partnership as part of the ABF arrangement in relation to the defined benefit pension scheme, with an original principal of £545.0m, an interest rate of 6.947% with a maturity date of October 2038.

All other internal borrowings listed below were issued by NWF and guaranteed by the Company:

Loan type	Principal value £'m	Maturity date	Interest rate %	Balance at 31 March 2025 £'m	Balance at 31 March 2024 £'m
Fixed rate Eurobond	350.0	Feb-23	6.875	-	-
Fixed rate Eurobond	350.0	Apr-33	5.625	345.3	344.9
Index linked Eurobond	150.0	Jul-36	2.033	305.9	295.2
Index linked Eurobond	60.0	Jan-41	1.6274	121.0	116.8
Index linked Eurobond	100.0	Jul-49	1.7118	200.5	193.6
Index linked Eurobond	100.0	Jul-53	1.7484	200.5	193.6
Fixed rate Eurobond	360.0	Jan-42	5.125	344.2	343.6
Fixed rate Eurobond	300.0	Oct-26	1.625	299.6	299.3
Fixed rate Eurobond	300.0	Oct-27	2.375	299.1	298.8
Index linked Private Placement	100.0	Oct-39	CPI + 0.242	125.2	122.1
Fixed rate Eurobond	400.0	Oct-34	6.375	392.2	391.7
Fixed rate Eurobond	400.0	Feb-31	4.5	394.4	347.0
Fixed rate Eurobond	300.0	Oct-37	5.5	293.1	-
Index linked Eurobond	100.0	Apr-39	CPI +2.490	102.5	-
Internal borrowings	**3,370.0**			**3,423.5**	**2,946.6**

10. Provisions

	£'m
At 1 April 2024	3.9
Charged to the profit and loss account in the year	2.3
Utilised during the year	(0.1)
At 31 March 2025	**6.1**
Analysed as:	
Current	0.5
Non-current	5.6
Provisions	**6.1**

In the ordinary course of business, the Company is sometimes subject to claims and potential litigation, whether from regulatory bodies, individuals or particular groups, related to one off matters. The Directors consider that, where it is possible to be estimated, a reasonable and appropriate position has been taken in reflecting such items in these Financial Statements in the note above.

Provisions reflected in the balance sheet include outstanding pension liabilities for pensions that have been awarded on a discretionary basis, mainly to former employees of water companies which have since merged with the Company. These pension liabilities have been calculated by an independent actuary, using the same actuarial assumptions as applied to the defined benefit pension scheme, and are expected to be paid over the remaining lives, which is approximately seven years.

The balance also includes estimated liabilities arising from historical pollution incidents and disputed rent reviews. In each case the timing of settlement is uncertain as a result of backlogs in the legal process due to the pandemic. The value of the provisions for each liability has not been disclosed due to the commercially sensitive nature of these legal matters.

As part of the wastewater undertakings agreed with Ofwat (see page 27), £2m has been provided for committed additional contributions to the 'Branch Out Fund', which supports schemes proposed by local communities, land managers, other organisations and individuals that will improve the natural environment. This is expected to be paid at £0.4m in each of the next five years.

It is not currently possible to estimate the financial effect and likely timing of any associated outflow of some other matters, given that some are in early stages of discussion, the limited likelihood of the claims against the Company being successful, or the potential range of possible outcomes, and accordingly no provision has been made in the Financial Statements. No reasonably possible financial outcome that would be significant to the Financial Statements has been identified in relation to these remaining matters at the date of the issue of these Financial Statements.

11. Financial instruments

	2025 £'m	2024 £'m
Financial (assets) / liabilities that are designated and effective as hedging instruments carried at fair value:		
Interest rate swaps	(2.8)	(7.0)
Foreign exchange contracts	0.1	(0.1)
Financial liabilities carried at fair value through profit and loss:		
Inflation swaps	121.8	108.4
	119.1	**101.3**

At 31 March 2025 and 31 March 2024, the Company held the following interest rate swap, designated as a hedge of future interest cash flows, used to convert variable rate interest payments to a fixed rate basis:

Notional amount	Start date	Termination date	Fixed rate
£150.0m	15 October 2015	15 October 2025	2.36%

At 31 March 2025 and 31 March 2024, the Company held the following inflation swaps, designated as hedges of future interest cash flows, used to convert fixed rate interest payments to an index-linked basis:

Notional amount	Start date	Termination date	Fixed rate
£150.0m	15 October 2015	15 October 2025	(0.42%)
£100.0m	22 June 2017	22 June 2027	(1.10%)

At 31 March 2025, the Company held the following forward exchange contracts, designated as hedges of expected future purchases for which the Company has firm commitments. The forward currency contracts are being used to hedge the foreign currency risk of the firm commitments. The terms of these contracts are as follows:

Currency bought	Maturity	Exchange rate	Transaction value £'m
US Dollars $455,478	11 April 25	1.1632	0.5
US Dollars $305,238	15 April 25	1.3211	0.3
US Dollars $80,155	15 April 25	1.3716	0.1
US Dollars $305,238	15 July 25	1.3910	0.3
US Dollars $80,155	15 July 25	1.2716	0.1
US Dollars $319,242	15 October 25	1.2442	0.3
US Dollars $80,155	15 October 25	1.3211	0.1
US Dollars $207,531	16 April 25	1.3211	0.2
US Dollars $74,114	22 April 25	1.2442	0.1
US Dollars $203,611	31 October 25	1.3211	0.2
At 31 March 2025			**2.2**

At 31 March 2024, the Company held the following forward exchange contracts, designated as hedges of expected future purchases for which the Company has firm commitments. The forward currency contracts are being used to hedge the foreign currency risk of the firm commitments. The terms of these contracts are as follows:

Currency bought	Maturity	Exchange rate	Transaction value £'m
EUR 26,808	8 April 2024	1.1632	-
USD 338,750	15 April 2024	1.3211	0.3
USD 15,435	15 April 2024	1.3716	-
USD 30,870	15 April 2024	1.3910	-
USD 1,928,323	15 April 2024	1.2716	1.5
USD 92,213	18 April 2024	1.2442	0.1
USD 338,750	15 July 2024	1.3211	0.3
USD 403,250	15 October 2024	1.3211	0.3
EUR 253,333	31 October 2024	1.2442	0.2
USD 403,250	15 January 2025	1.3211	0.3
USD 403,250	15 April 2025	1.3211	0.3
USD 92,213	22 April 2025	1.2442	0.1
USD 403,250	15 July 2025	1.3211	0.3
USD 421,750	15 October 2025	1.3211	0.3
USD 253,333	31 October 2025	1.2442	0.2
At 31 March 2024			**4.2**

12. Grants and deferred income

	Capital grants and contributions £'m	Proceeds from Kielder securitisation £'m	Total £'m
At 1 April 2024	**521.0**	**71.3**	**592.3**
Additions	37.5	-	37.5
Amortised during the year	(6.5)	(7.1)	(13.6)
At 31 March 2025	**552.0**	**64.2**	**616.2**

The Kielder securitisation, implemented in 2004, involved the assignment of the right to the future income stream associated with the Kielder WROA until 2034 to Reiver Finance Limited, a subsidiary company, in return for consideration of £212.1m. This capital sum is amortised to the income statement of the Company over the life of the assignment.

13. Share capital

	2025 £'m	2024 £'m
Authorised:		
122,650,000 Ordinary Shares of £1 each (31 March 2024: 122,650,000)	122.7	122.7
Allotted, called-up and fully paid:		
122,650,000 Ordinary Shares of £1 each (31 March 2024: 122,650,000)	122.7	122.7

NWL is a company limited by shares. The parent company has one class of ordinary shares which carry no right to fixed income.

14. Pensions

NWL participates in a Group defined benefit pension scheme, NWPS, which was closed to future accrual of benefits with effect from 31 May 2022, following a consultation process with members. The assets of the NWPS are held separately from those of the Group in independently administered funds. The most recent actuarial valuation of the NWPS was at 31 December 2022. At that date, the value of assets amounted to £799.2m and the liabilities were £980.7m, resulting in a deficit of £181.5m and a funding level of 81.5%.

No contributions in respect of future accrual of benefits are required following the Scheme closure to future accrual. The Scheme Trustee and Company agreed deficit recovery payments (including expenses) of £25.8m for the period January 2023 to March 2023 and £29.1m pa for the period April 2023 to October 2023.

In October 2023, the Company and Trustee entered an ABF arrangement. This arrangement provides greater security to the pension scheme allowing the pension actuarial deficit to be repaid over a longer time period of 15 years. The principal asset of the ABF is a £545m loan note from Northumbrian Water Company 1 Scottish Limited Partnership to NWL. The repayments of this loan note underpin payments of £7.5m pa to the NWPS for deficit recovery and expenses, effective from November 2023 and increasing annually by RPI inflation. These payments will continue to October 2038 with the expectation that the deficit will be removed by this date. There will be an annual review of the pension scheme and if this reports an actuarial surplus then payments to NWPS will be paused, restarting if the scheme returns to a deficit position.

Employers' contributions (including associated company contributions) of £7.5m were paid in the year to 31 March 2025, of which £6.0m related to deficit reduction and £1.5m to Scheme expenses. For the year to 31 March 2026, employers contributions are projected to be £6.3m in respect of deficit reduction and £1.5m in respect of Scheme expenses.

The Company participates in the LifeSight master trust, a defined contribution pension arrangement for non-associated employers. There were 3,482 active members in defined contribution pension arrangements at 31 March 2025 (2024: 3,299), including employees enrolled following the closure of the defined benefit scheme.

Prior to the closure of the NWPS, members chose to contribute either 3%, 4% or 5% of salary, with employers contributing at either 6%, 7% or 8% depending on the member contribution rate. Following the closure of the NWPS, the defined contribution scheme was revised with the employee contribution rates of 3%, 4% or 5% being matched by employer contribution rates of 6%, 8% or 10% respectively. In addition, as a transitional arrangement until 31 March 2025, former members of the NWPS who contributed 5% received an employer contribution of 12%. With effect from 1 April 2025, the highest rate of employer contribution is 11% which applies for all employees contributing 5%.

The contributions paid to defined contribution pension arrangements by the Company in the year totalled £13.3m (2024: £11.9m).

The additional disclosures regarding the defined benefit scheme as required under FRS 101 and the relevant impact on the Financial Statements are set out below. A qualified actuary, using revised assumptions that are consistent with the requirements of FRS 101 has updated the actuarial valuation described above as at 31 March 2024. Investments have been valued, for this purpose, at fair value

FRS 101 acutarial assumptions:	2025	2024
Discount rate	5.75%	5.00%
Price inflation (RPI)	3.15%	3.20%
Price inflation (CPI)	2.85%	2.85%
Pension increases linked to RPI	3.15%	3.20%
Pension increases linked to CPI	2.85%	2.85%
Mortality assumptions[1]		
- Life expectancy for a member aged 65 - female (years)	23.9	23.6
- Life expectancy for a member aged 65 - male (years)	21.3	21.1

[1] scheme specific bespoke ‘Vitacurves’ which reflect the characteristics of the Scheme membership.

The fair value of the assets in the NWPS and the present value of the liabilities in the Scheme are shown below:

	2025 £’m	2024 £’m
Equities	101.4	156.1
Corporate bonds	120.5	152.6
Diversified growth	27.0	28.9
Government bonds	275.5	279.4
Property related funds	5.7	6.5
Cash and cash equivalents	58.0	58.0
ABF investment due from SLP	86.4	88.5
Other	101.4	108.8
Total fair value of assets	**775.9**	**878.8**
Present value of liabilities	**(715.8)**	**(806.5)**
Surplus	**60.1**	**72.3**

The fair value of the assets in the NWPS and the present value of the liabilities in the Scheme are shown below:

The ABF investment is in Northumbrian Water Company 1 Scottish Limited Partnership, which is a subsidiary of the Company. This investment is eliminated upon consolidation.

The amounts recognised in the income statement and in the statement of comprehensive income are analysed as follows:

Recognised in the income statement:	2025 £'m	2024 £'m
Administration cost	0.7	1.4
Past service credit	(8.5)	-
Recognised in operating costs in arriving at operating profit	**(7.8)**	**1.4**

	2025 £'m	2024 £'m
Net interest cost/(credit) on plan obligations	0.7	(1.3)
Recognised in finance costs	**0.7**	**(1.3)**

Recognised in the statement of comprehensive income:	2025 £'m	2024 £'m
Changes in demographic assumptions	(2.4)	23.1
Changes in financial assumptions	74.5	8.8
Loss on assets (excluding amounts included in finance costs)	(98.2)	(44.2)
Other actuarial gains/(losses)	2.6	(41.7)
Net actuarial losses	**(23.5)**	**(54.0)**
Contributions made by associated company	-	0.1
Net actuarial losses	**(23.5)**	**(53.9)**

The past service credit of £8.5m reported in the year was the result of three special events which occurred during the period. This comprised:

- the introduction of a Pension Increase Exchange Option (PIE) exercise for pensioners of £0.2m;
- the introduction of a PIE at retirement £1.0m; and
- offering members a second piece of advice from an Independent Financial Advisor £7.3m.

PIE provides eligible members with the opportunity to exchange some of their non-statutory pension increases in return for a higher pension.

Changes in the present value of the defined pension obligations are analysed as follows:

	2025 £'m	2024 £'m
At start of period	**806.5**	**805.2**
Past service credit	(8.5)	-
Interest cost	39.2	38.3
Benefits paid	(46.7)	(46.8)
Remeasurement:		
Changes in demographic assumptions	2.4	(23.1)
Changes in financial assumptions	(74.5)	(8.8)
Other actuarial gains	(2.6)	41.7
At end of period	**715.8**	**806.5**

Changes in the fair value of plan assets are analysed as follows:

	2025 £'m	2024 £'m
At start of period	**878.8**	**823.1**
Interest income on scheme assets	42.7	41.7
Contributions by employers (including associated company)	-	106.4
Benefits paid	(46.7)	(46.8)
Scheme expenses	(0.7)	(1.4)
Loss on assets (excluding amounts included in finance costs)	(98.2)	(44.2)
At end of period	**775.9**	**878.8**

Nature of benefits, regulatory framework and other entity's responsibilities for governance of the Scheme

The Scheme is a registered defined benefit scheme subject to the UK regulatory framework for pensions, including the scheme specific funding requirements. The Scheme is operated under trust and as such, the Trustee of the Scheme is responsible for operating the Scheme and it has a statutory responsibility to act in accordance with the Scheme's Trust Deed and Rules, in the best interest of the beneficiaries of the Scheme, and UK legislation (including Trust law). The Trustee has the power to set the contributions that are paid to the Scheme.

Risks to which the Scheme exposes the Company

The nature of the Scheme exposes the Company to the risk of paying unanticipated additional contributions to the Scheme in times of adverse experience. The most financially significant risks are likely to be:

- members living for longer than expected;
- higher than expected actual inflation;
- lower than expected investment returns; and
- the risk that movements in the value of the Scheme's liabilities are not met by corresponding movements in the value of the Scheme's assets.

Asset-liability matching strategies used by the Scheme or the Company

The Trustee's current investment strategy, having consulted with the Company, is to invest the majority of the Scheme's assets in a mix of equities and bonds, in order to strike a balance between:

- maximising the returns on the Scheme's assets; and
- minimising the risks associated with lower than expected returns on the Scheme's assets.

The Trustee is required to regularly review its investment strategy in light of the term and nature of the Scheme's liabilities.

Sensitivity to key assumptions

The costs of a pension arrangement require estimates regarding future experience. The financial assumptions used for FRS 101 reporting are the responsibility of the Directors of the Company. These assumptions reflect market conditions at the balance sheet date. Changes in market conditions which result in changes in the net discount rate (essentially the difference between the discount rate and the assumed rates of increases of salaries, deferred pension revaluation or pensions in payment), can have a significant effect on the value of the liabilities reported.

There has been no change in the methodology used to assess the impact of changes in assumptions. Approximate adjustments were made to the defined benefit obligations reflecting the mean term of the liability.

Impact of changes in assumptions compared with actuarial assumption for the NWPS:

Actuarial value of liabilities on 31 March 2025:

	£'m
0.25% reduction in in discount rate	736.4
0.25% increase in inflation	729.2
1 year increase in life expectancy	742.4

Maturity profile of the defined benefit obligation for the year ended 31 March 2024:

	Number of members	Liability split (%)	Duration (years)
Active members	-	0	-
Deferred members	1,645	38	18
Pensioners	3,276	62	8

WPS increases provisions

Court proceedings have recently commenced in relation to certain rules of the WPS section of the Scheme and how it is determined whether, in a year where RPI exceeds 5%, the increases for members in the WPS section should be capped at 5% or paid in line with RPI (uncapped). The Company has been engaging with the Trustee as to the correct interpretation of the WPS increases provisions and it has been agreed between the Company and the Trustee that this point should be put to Court in Part 8 proceedings. Where the Scheme is in deficit on a technical provisions basis, as is the case now, the way in which the Rules should operate is not clear, and the Court will be asked to confirm this.

Guaranteed minimum pension (GMP) equalisation

A High Court ruling in October 2018 confirmed that pension scheme benefits should be equalised between men and women for inequalities caused by GMPs earned between 1990 and 1997. A supplementary ruling in November 2020 confirmed that Trustees should consider past transfer values paid to leavers and potentially pay top-ups to the receiving scheme if transfers did not reflect equalised benefits.

We understand that an allowance has previously been made for GMP equalisation, including an allowance for unequalised transfer values, and so no further cost is reflected in the income statement.

Virgin Media Limited v NTL Pension Trustees Limited

We are aware of the ruling resulting from this case. The NWPS, like many pension schemes in the UK, may be impacted by the judgement in this case as it had benefits contracted out from the additional state pension between 1997 and 2016. An initial analysis has been carried out which has not identified any impact but detailed work has not been completed.

On 5 June 2025, the UK government stated its intention to introduce legislation to give pension schemes affected by the case the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards.

15. Ultimate parent undertaking and controlling party

NWGL is the Company's immediate parent undertaking and, in the Directors' opinion, the Company's ultimate parent undertaking and controlling party. NWGL is incorporated in England and Wales.

The parent undertaking of the largest group of undertakings for which group Financial Statements are drawn up, and of which the reporting company is a member, is NWGL. Copies of NWGL's group Financial Statements will be available in due course from its registered office at Northumbria House, Abbey Road, Pity Me, Durham DH1 5FJ.

16. Prior year adjustment

The Company has identified overstatements in the accrued accretion charges for the index-linked arrangements of certain borrowings in previous financial statements. The Company's financial performance and position, net debt and cash flows have not been adversely impacted.

As a result, the Company has restated finance costs in the consolidated income statement and non-current liabilities and reserves in the consolidated balance sheet. Comparative information has been restated in the consolidated income statement and balance sheet, as set out below:

	Reported 31 March 2024 £'m	Change £'m	Restated 31 March 2024 £'m
Income statement:			
Finance costs			
Accretion on index-linked bonds	99.4	(24.2)	75.2
Taxation			
Deferred taxation	(11.7)	6.0	(5.7)
Balance sheet:			
Non-current liabilities			
Borrowings	(4,173.9)	111.2	(4,062.7)
Deferred tax liabilities	(605.6)	(27.8)	(633.4)
Capital and reserves			
Profit and loss account	107.2	83.4	190.6

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