Northumbrian Water Limited Annual Performance Report

FOR THE YEAR ENDED 31 MARCH 2026

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Welcome to our Annual Performance Report

BOARD STATEMENT

OUR PURPOSE, VISION, AND PERFORMANCE

For most of our customers, we are the sole provider of vital water and wastewater services. The Board and I recognise the responsibility that comes with this role, and the importance of strong governance, committed long-term ownership and sustained investment in maintaining high standards of service, resilience, affordability and environmental performance for the communities we serve.

This year marked the start of the 2025–30 regulatory period and the beginning of the largest investment programme in Northumbrian Water Limited's history. We have maintained close oversight of this transition, with particular focus on delivery readiness, financial resilience, risk management and the Company's ability to meet increasing expectations from customers, regulators and wider stakeholders.

Our purpose – caring for the essential needs of our communities and environment, now and for generations to come – continues to guide the decisions we make. I see that purpose reflected in the way we balance investment, affordability, service performance and long-term resilience, and in the governance arrangements that support our strategy.

BOARD OVERSIGHT AND PERFORMANCE

The Board's priority is to ensure Northumbrian Water Limited (**NWL** or the Company) continues to deliver the standards customers expect, while responding to the areas where improvement is needed. During the year, NWL delivered strong performance in a number of important areas, including customer service, reliable water supplies, support for customers who need additional help and continued progress on key operational measures. I am particularly proud that this was recognised through our continued high performance in C-MeX, Ofwat's measure of customer experience, and the Consumer Council for Water's measure of trust. NWG was named Water Company of the Year at the Water Industry Awards 2026, reflecting the commitment of colleagues across the business and the progress being delivered for customers, communities and the environment.

The Board recognises the importance of affordability as bills rise to fund essential investment across the sector. We will continue to monitor how NWL balances investment, service improvement and targeted support for vulnerable customers.

Environmental performance remains one of our most important areas of oversight. The Company delivered improvements in many areas, but we also recognise that performance was not where it needed to be in others, including pollution performance and discharge compliance. We are clear that further improvement is needed and we continue to monitor closely the actions being taken to reduce pollution risk, improve compliance and strengthen resilience across our assets and operations.

> **"We have a clear purpose, strong operational foundations, a track record of leading customer service, a major investment programme and a continued focus on innovation, efficiency and responsible delivery."**

INVESTMENT AND LONG-TERM RESILIENCE

The scale of investment required across the water sector is significant. Ageing infrastructure, climate change, population growth and higher environmental standards all require long-term planning and sustained investment, while customers rightly expect bills to remain affordable and support to be available for those who need it most.

Our 2025–30 plans represent a major step-up in investment and delivery, with over £4.5 billion planned across the period to support improvements in water and wastewater services, environmental performance and long-term resilience. The Board has focused on ensuring that NWL is prepared for this increase in activity, including oversight of capital delivery, supply chain readiness, operational resilience, financial planning and organisational capability.

Delivering this programme will require NWL to manage a more complex operating environment, balancing substantially higher capital investment, efficiency expectations, supply chain capacity, affordability pressures and stretching service and environmental outcomes. Our role is to ensure NWL takes a long-term view, balancing the needs of current and future customers while maintaining a resilient and sustainable business.

During the year, the Competition and Markets Authority (CMA) concluded its redetermination of the 2025–30 price settlement. The Board considered the CMA process carefully, after Ofwat's Final Determination and in light of the Company's view that some important areas, particularly around storms, asset health and resilience, had not been adequately reflected. The conclusion of the CMA's review provides greater clarity as NWL moves forward with delivery of its plans.

Maintaining financial resilience is essential to delivering this programme. During the year, shareholders injected £400 million of equity to support delivery of the AMP8 business plan. This additional support strengthens NWL's ability to progress investment, maintain momentum on priority projects and continue improving services for customers and the environment. It also demonstrates the importance of having owners with a long-term commitment to critical national infrastructure, the financial capacity to support investment and a strong track record in regulated utilities. That stability matters as NWL delivers a larger and more complex programme, and as the sector works to maintain confidence in the regulatory framework that supports investment, rewards strong performance and holds companies to account where improvement is needed.

REGULATORY REFORM AND STAKEHOLDER CONFIDENCE

The wider regulatory and policy environment continues to evolve. Following the Independent Water Commission, also known as the Cunliffe Review, and the Government's Water White Paper, reform is expected to shape the future framework for the sector over the coming years.

BOARD STATEMENT

OUR PURPOSE, VISION, AND PERFORMANCE

We support the ambition to strengthen confidence, accountability and long-term planning across the sector. For the Board, the priority is that reform supports important outcomes for our customers: reliable and affordable services, improved environmental performance, effective long-term planning and the investment needed to maintain and improve critical national infrastructure.

At a time when public confidence in the sector remains under pressure, it is important that reform and scrutiny are targeted at the areas of greatest underperformance, while recognising companies that continue to deliver strongly for customers, communities and the environment. This distinction matters if reform is to support better outcomes across the sector while also recognising where good performance is being delivered.

Authentic relationships with customers, communities, regulators, government, suppliers and partners are central to this. The Board recognises the importance of open engagement and transparent reporting, particularly at a time when expectations of the sector are rightly increasing.

GOVERNANCE, ASSURANCE AND CULTURE

Strong governance is central to delivering our purpose and maintaining the trust of customers and stakeholders. During the year, we have continued to review performance through the Company's balanced scorecard, with oversight across customer, environmental, operational, people, community and financial measures.

We also continued to oversee the Company's risk management framework, supported by the Risk & Compliance Sub-Committee, including the principal risks that could affect delivery, resilience, financial performance, compliance and stakeholder confidence. In particular, we have focused on the risks associated with delivering a substantially larger capital programme, maintaining supply chain and organisational capacity, managing cost and efficiency pressures, improving environmental compliance and sustaining customer and stakeholder trust during a period of sector reform and heightened scrutiny. Through this ongoing oversight, the Board is satisfied that the Company is taking a robust, proactive and integrated approach to managing risk and maintaining resilience in a complex and evolving environment.

As NWL grows its investment programme and adapts to changing expectations, culture and capability remain important areas of focus. A safe, engaged and values-led workforce is essential to delivering the improvements customers and stakeholders expect.

LOOKING AHEAD

The years ahead will require sustained focus and disciplined delivery. The Board will continue to oversee how NWL manages the step-up in activity, cost pressures, stretching performance expectations and the need to support customers through a challenging economic period.

I believe NWL is well placed to respond. We have a clear purpose, strong operational foundations, a track record of leading customer service, a major investment programme and a continued focus on innovation, efficiency and responsible delivery.

On behalf of the Board, I would like to extend the Board's sincere appreciation to Bridget Rosewell CBE, who stepped down as an Independent Non-Executive Director on 30 June 2026 following five years of dedicated service and contribution to the business. I would also like to thank all colleagues for their hard work and commitment during the year. Their efforts remain central to the Company's performance and to our ability to deliver the long-term improvements our customers and stakeholders expect.

A J Hunter, Chairman

CHIEF EXECUTIVE OFFICER'S WELCOME

Our priority throughout the year has been delivery: maintaining strong day-to-day performance for customers, beginning the 2025–30 regulatory period with momentum and preparing for the largest investment programme in our history. Expectations of the water sector continue to rise, and we remain committed to meeting them while providing reliable and affordable services for the people who depend on us every day.

DELIVERING FOR CUSTOMERS

Providing excellent customer service remains one of our defining strengths. I am delighted that we again delivered industry-leading customer performance during 2025/26. We ranked first for C-MeX, Ofwat's measure of customer experience, and were also recognised as the top and most trusted water and wastewater company by the Consumer Council for Water, the independent voice for water customers.

Our customer-focused approach ensured we continued to perform strongly in other customer experience measures, including BR-MeX and D-MeX, where we respectively achieved third and fourth industry positions.

These results reflect the culture of care shown by dedicated colleagues across the business, whether they are speaking directly to customers, maintaining our networks, treating water and wastewater, responding to incidents or supporting communities during challenging periods.

Customers continue to place a high priority on the reliable provision of clean, clear, great-tasting water and we delivered on that promise with good quality water and supply interruptions at an average time of only six minutes and 35 seconds per customer per year, helping keep disruption low across our regions.

Property flooding was also kept at very low levels with just 72 properties impacted during the year – a reduction of 34% – and we will strive to lower this even further in future.

Keeping services affordable remains a key priority. Our customers continue to have the lowest combined water and wastewater bills in the country, but we recognise that bills are rising to support essential investment across the sector and that this will be difficult for some households.

During the year, we provided assistance to more than 161,000 customers through a range of support measures, including social tariffs, payment assistance and tailored services for customers in vulnerable circumstances. We remain on track to achieve our target to eradicate water poverty by 2030. We also continued to expand our Priority Services Register, which now supports 14.4% of our customer base with services targeted to their additional needs.

We will continue to target support where it is needed most while maintaining our focus on efficient delivery and value for money.

> **"Keeping services affordable remains a key priority. Our customers continue to have the lowest combined water and wastewater bills in the country,"**

PROTECTING THE ENVIRONMENT

Protecting and enhancing the environment is one of our most important responsibilities. In 2025/26, we continued to invest in improvements to water quality, pollution prevention and the resilience of our assets and operations.

We made significant progress in reducing storm overflow use, with average spills per overflow falling from 26.30 to 17.70, ahead of our target of 19.33. This improvement reflects sustained investment across our wastewater network, including new storm tanks and storage, increased treatment capacity, accelerated improvement schemes and targeted interventions through our Storm Overflow Tactical Plan. Bathing water quality remained strong, with 33 out of 35 bathing waters rated Good or Excellent.

We know there is more to do and remain fully focused on delivering sustained progress. Our customers and communities care deeply about rivers, coastal waters and the wider natural environment, and so do we. That is why we are investing more than £1 billion during 2025–30 to reduce average spills further to 14 by 2030, building on the progress delivered this year.

There were also areas where performance was not where we want it to be, including discharge compliance, which was 98.52%. Our performance for serious water and wastewater pollution incidents for 2025 was still being reviewed by the Environment Agency at time of publication. Previously, NWL has achieved an industry-leading status with zero serious water pollution (Category 1 or 2) since 2020 or a serious wastewater incident since 2021.

In addition, the latest Environment Agency Environmental Performance Assessment (EPA) had not been finalised at the time of writing, but we expect it to reflect the areas where we need to improve, particularly pollution performance and discharge compliance.

Innovation continues to play an important role in this work. During the year, we continued to develop programmes such as Smart Sewers, our world-leading intelligent wastewater management system, alongside smart river monitoring and advanced data and AI-led approaches.

These tools are supporting a wider shift towards more predictive and preventative ways of working, helping us identify issues earlier, strengthen resilience, reduce risk and deliver better value for customers and the environment.

Our Innovation Festival continues to support this culture of collaboration and practical problem-solving. Since launching in 2016, the festival has welcomed more than 24,000 attendees from over 6,000 organisations, spanning more than 40 countries and 45 sectors. We were delighted to have our reputation in this area independently accredited when we

CHIEF EXECUTIVE OFFICER'S WELCOME

became the first water company in the world to gain a BSI Kitemark for Innovation.

We continue to work with partners on nature-based and catchment-led solutions, such as wetlands, sustainable drainage, habitat restoration and measures that slow the flow of rainwater before it enters our networks. These approaches recognise that flooding, pollution risk and water quality are influenced by land use, drainage, highways, farming, development and customer behaviour, as well as by our own assets.

RELIABLE AND RESILIENT SERVICES

Providing reliable services in a changing climate remains a central priority. In spring and summer 2025, prolonged dry and warm weather placed additional demands on water networks in many areas, reinforcing the importance of careful operational management and continued investment in our assets.

We continually invest in technology and operational improvements to manage leakage, monitor our networks more effectively and support customers to use water wisely. Leakage reduced from 180.0 to 168.1 megalitres per day on a three-year average basis, reflecting continued focus on finding and fixing leaks across our network.

Smart meters, advanced analytics and new approaches to leakage detection are helping us find and fix problems earlier, while giving customers better information about their own water use. By April 2026, we had installed 388,000 smart meters across our operating areas, supporting our persistent work to identify customer-side leaks faster and encourage more efficient use of water.

As climate change increases the likelihood of more frequent and more intense weather events, resilience will remain one of the defining challenges for our business. Our long-term plans are designed to ensure we can continue to provide reliable services while adapting to changing conditions and supporting the needs of growing communities.

"Smart meters, advanced analytics and new approaches to leakage detection are helping us find and fix problems earlier."

OUR PEOPLE AND COMMUNITIES

Our achievements are only possible because of our hard-working people. Safety remains one of our highest priorities, and we continue to invest in wellbeing, learning and leadership development so colleagues have the skills, support and confidence they need to do their jobs well.

During the year, we expanded the NWG Academy, welcomed 19 Asset Graduates and increased apprentices to 104, our highest ever number. These investments are helping us build the capability we need for the future, particularly as we increase the scale of our capital programme and respond to new operational, environmental and technological demands.

We were also pleased to report further progress in our gender pay gap performance, with our median gender pay gap reducing to 9.9%, the lowest we have achieved to date. We know there is more to do, but this progress reflects the sustained focus we are placing on inclusion, representation and fair access to opportunity across the business.

We were proud to be recognised again as a Great Place to Work, with 86% of colleagues saying NWG is a great place to work, a level which places us in the top 50 super large employers in the country. This reflects the importance we place on building a safe, inclusive and supportive culture where colleagues can do their best work.

Beyond our core services, we remain proud of the role we play in communities through volunteering, partnerships, environmental programmes and targeted support for local causes. Through Just an Hour, 2,100 colleagues – 53.7% of our workforce – completed more than 3,300 volunteering activities in 2025, supporting almost 1,000 charitable and community causes across our regions.

Recognising our vital role in economic growth, we once again contributed strongly to our local economies through our supply chain, with more than 60p in every £1 spent with suppliers in our operating regions. This local contribution matters because our investment and day-to-day operations multiply jobs, skills and economic activity across the communities we serve.

LOOKING AHEAD

We enter the new regulatory period with a clear strategy, ambitious plans and talented people determined to make a difference.
The coming years will be demanding, but we are prepared.

We will need to deliver a major step-up in activity while continuing to manage cost pressures, meet stretching performance expectations and support customers through a challenging economic period. To do this we are building from a strong position, with leading service performance, a clear plan and a culture focused on improvement.

We will remain focused on the things that matter most: high-quality, reliable services, affordable support for customers who need it, stronger environmental performance, resilient infrastructure and long-term value for the communities we serve.

Reflecting on the year, what stands out most is the importance of turning plans into visible progress. We have strong foundations and committed people, but we know trust is earned through consistent delivery and sustained improvement for customers, communities and the environment.

I was delighted that the dedication and diligence of our people and everything that they do for our customers was recognised when we were named Water Company of the Year at the Water Industry Awards 2026.

CHIEF EXECUTIVE OFFICER'S WELCOME

By combining operational discipline, innovation and a continued focus on customers, we are well placed to deliver the next stage of our journey.

Heidi Mottram CBE
Chief Executive Officer

WATER FORUM (INDEPENDENT CHALLENGE GROUP) STATEMENT

This Annual Performance Report covers the year from April 2025 to March 2026, a time of unprecedented media and public scrutiny of the water industry. All water companies, including Northumbrian Water, have faced criticism for some of their activities that have fallen short of expectations. However, we must recognise that the company's overall performance is strong in many areas, is industry leading in some and that it is recognised as one of the country's leading water companies. Inevitably, the reputation all companies is impacted by the media headlines that are focused on a small number of failing companies.

As its Independent Challenge Group (ICG), we see beyond the headlines of what Northumbrian Water does and the teams freely share with us their challenges, their disappointments and their successes. Over the years, we have built extensive knowledge of the company's activities, its culture and ethos, giving us a deeper understanding of its performance than a single year's statistics can provide. We recognise the ambition, not just to be the best water company but to perform competitively alongside the top UK companies.

Taking an independent view, we see the whole picture of what the company does day in day out, the commitment of staff and the passion and determination to do their best – at times against the odds – to deliver the best service possible for the consumers they serve and the lowest bill prices in the country for Northumbrian Water customers.

This Annual Performance Report covers the company's performance against the measures that OFWAT uses to compare all water companies. It is a mixed picture – some would say that this is what would be expected in the first year of a five-year business plan that will deliver the biggest capital investment in the company's history. Northumbrian has performed strongly in some areas, with targets exceeded; and has delivered a disappointing performance in other areas, with targets missed.

Our role is to provide challenge that helps raise performance – so that where performance is poor, it becomes good; and where it is good, it becomes excellent. As a group we do not shy away from difficult conversations when necessary – we know that our challenge is valued and taken on board by the company and that our role helps deliver better outcomes for customers.

Each year, members of Northumbrian Water's Independent Challenge Group (previously known as the Water Forum) review, discuss and take the time to understand the company's results against the promises made to its customers in the five-year business plan agreed with the regulator Ofwat.

Members of the ICG have a wide range of skills that are relevant to the water industry in general and to Northumbrian Water specifically. We position ourselves as trusted, constructive challengers and pride ourselves on our ability positively influence the company. We achieve this by our members collectively examining how the company rises to the challenges it faces and to the expectations of both its customers and stakeholders. We explore the views of the company, its regulators and the many sources of consumer views, with the intention of offering independent and expert observations and insights.

Despite changes to regulation and expectations from government, the fundamentals will continue to be front and centre of what customers need from their water company:

- Providing a reliable supply of clean, clear drinking water
- An effective sewerage service
- Caring for the environment
- Caring for those who need support to pay their bills
- Great service when customers need to get in touch.

Given these fundamental needs, below we comment on the key aspects of performance for the year – some are positive, some are negative and given that this was the first of a five-year plan, they certainly do not tell the whole story, which will unfold between now and 2030. Where possible, we compare performance with the prior year but note that some of the industry's measures have changed and are therefore not directly comparable.

CONSUMER PERFORMANCE

Northumbrian Water has performed strongly in the three OFWAT customer measures – achieving highest scores and first in the industry for C-MeX for the second year running, fourth place in D-MeX and third place in the new BR-MeX – and the results of the Consumer Council for Water's research, 'Water Matters', ranks it as the most trusted water company.

Whilst Northumbrian performs strongly against its ambition of 'Unrivalled Customer Experience', and relative to other water companies its consumer scores have declined slightly. Equally, we must note that this is a whole-industry issue and that it has dropped significantly less than the national average.

Over the past year, we have challenged the company on consumer issues – how it is seeking to build trust in new ways; how it interacts with and listens to consumers; how it is improving customer experience; and the reasons for the rise in number of complaints and what is being done to tackle this.

We have been clear that to meet its consumer ambition, Northumbrian must go beyond maintaining performance and continue to improve and innovate; that it must improve customer communication by making information more relevant and localised. We expect the team to leverage its leading position on consumer trust to demonstrate to the whole industry how water can start repair its reputation with customers.

ENVIRONMENTAL PERFORMANCE

Environmental performance was disappointing and we recognise that there are no quick fixes to the problems underpinning this performance

WATER FORUM (INDEPENDENT CHALLENGE GROUP) STATEMENT

and it will take time to resolve them – for example, power outages can contribute to storm overflow issues, and the company has presented a long-term plan to improve this situation. We will monitor both the pace and the effectiveness of Northumbrian's implementation of this plan. Whilst we acknowledge the new criteria for how incidents are classified has resulted in more pollution and serious pollution incidents being reported we are reassured that the plans now in place will lead to improvement. The EPA by the Environment Agency has yet to published for the last year, our expectations are that this will remain challenging.

We are pleased that bathing water quality has been notably improved and are reassured by the proactive work the company is doing to keep further improvements in its sights.

As we stated in last year's Annual Performance Report, we have kept environmental matters in our sights and in our discussions with the company have underscored the importance of long-term solutions to improve performance. We have been patient as the company works through the issues, but we expect to see a clear improvement trajectory in the coming months.

Taking an independent view, we see the whole picture of what the company does day in day out, the commitment of staff and the passion and determination to do their best – at times against the odds – to deliver the best service possible for the consumers they serve.

WATER PERFORMANCE

Water quality improved over the year but still fell short of where it should be although customers continue to receive drinking water that meets world-leading quality standards. We will monitor this over the next 12 months, with the expectation of seeing at least the same rate of improvement.

Whilst water supply interruptions were better than target and remain industry-leading, the performance was not as good as the previous year. It is hard for consumers to understand why the company is rewarded for performance in this scenario. We are therefore challenging Northumbrian on raising performance and will challenge the level at which targets are set in the next business plan.

Leakage is an important matter for consumers and is targeted to reduce year-on-year. We are pleased that the company met its targets and expect its continued focus on finding and fixing leaks to yield further improvements in the next 12 months.

We recognise that reducing domestic water consumption levels is a substantial challenge and are pleased the company met its target, having run good quality water reduction campaigns over the 12 months. Reducing the amount of water we all use is a continuing issue that necessitates significant change in consumer behaviours over time, so we will continue to challenge Northumbrian Water to be innovative in how it addresses this.

WASTEWATER PERFORMANCE

Any flooding incident has a huge impact on the individual customers concerned, so we are pleased to see substantial improvement in the internal and external sewer flooding performance that is shared in this report. We look forward to this level of performance being sustained and improved in the coming year.

We recognise the amount of innovation the company has taken across its whole operation, but the work that has been done in wastewater is particularly noteworthy because Northumbrian has sought innovative approaches to addressing issues previously deemed by the industry as 'too difficult'.

Discharges from the wastewater system will remain in the public eye for some time, so it is vital that the company continues to focus on reducing these and recognises that, no matter what the regulatory stance is, from a public perspective there will never be an acceptable level of sewage discharge. We note the improvement in discharge compliance and that it has not met its regulatory target – our challenge to the company is to improve this position in the year to come.

VALUE FOR MONEY

Northumbrian Water has the lowest bills in the country and delivers high performance in many areas, which in itself suggests good value for money.

We are pleased that the company once again exceeded its promises for all three measures of its Priority Services Register, a service that is available from all water companies for customers in vulnerable circumstances. Increasing numbers of customers are facing water poverty and we have challenged Northumbrian to develop fresh approaches to achieving its ambition of eradicating water poverty and to raising awareness of the help that is on offer.

We appreciate that the whole industry, including Northumbrian Water, is embarking on the largest capital investment programme in history and so the pressure on the supply chain and delivering value for money will be higher than ever before. Against this backdrop of new expectations and pressures, we have challenged the company to ensure that securing good value from customers' and investors' money remains at

WATER FORUM (INDEPENDENT CHALLENGE GROUP) STATEMENT

the forefront of its thinking. We know from experience that it has a good track record in doing so.

There has been much comment on asset health between the company and the regulator, OFWAT. We note that asset health continues to worsen, that Northumbrian knows and wants to improve this situation, and that the regulator has not reconciled how this should be resolved. We find this an unacceptable impasse which will, over time, lead to greater costs being passed on to consumers.

IN CONCLUSION

The first year's performance of a five-year business planning period is always the most difficult to assess – it is not always reflective of the direction of travel, as new investment and initiatives may only have been delivered for part of the year. Combined with OFWAT's new performance measures, direct comparisons with the previous year are not always possible.

Overall, the ICG acknowledges the progress the company has made in the year to the end of March 2026, maintaining or improving its performance in many areas and industry-leading in some of them. However, there are areas where performance has not got better and we will be closely monitoring the action the company takes during the remaining years of the business plan to improve these measures.

We appreciate that Northumbrian must report its performance against the criteria set by its regulators and find Ofwat's lack of customer performance metrics to be regrettable – in our view, the way a company relates to its customers is a strong indication of its culture and capacity to improve across a wide range of areas. We therefore note and welcome the benchmarking of culture and performance against sectors outside the water industry, and the notable recognition that Northumbrian has achieved in some areas as a well-run and successful company.

Whilst we will continue to monitor overall performance, we will take a particularly keen interest in how the company seeks to improve in areas where performance has declined or where is below industry average. We recognise that long standing issues are being addressed, with record levels of investment in a capital programme – this is a huge challenge and will take time for benefits to be realised, but the ICG will be monitoring progress and seeking assurance that the overall trajectory is positive.

We do believe that Northumbrian Water is a company that constantly strives for improvement and to be trusted by its customers; we know that it does not get everything right but that does not inhibit it striving to improve in the short and longer term.

As a group we make no apology for our ambition: we want the company to deliver excellence in service and value for money in all it does. Our challenge will always be for poor performance to be good, and for good performance to be excellent.

Robert Light
Chair of Northumbrian Water's Independent Challenge Group

WHO WE ARE

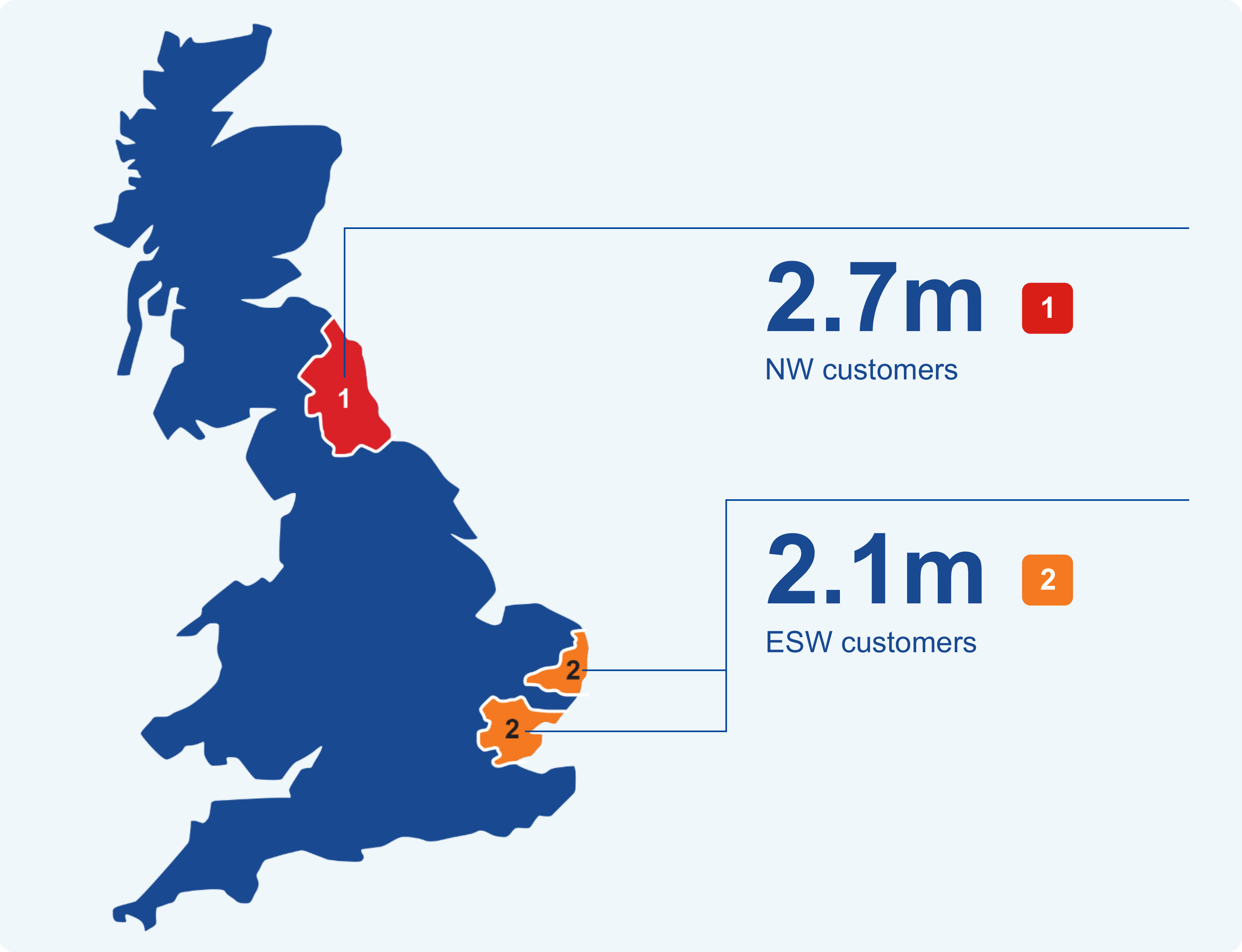
Northumbrian Water Limited provides essential water and wastewater services across two distinct regions.

- In the North East of England, trading as Northumbrian Water, we provide water and wastewater services to around 2.7 million people.
- In Essex and Suffolk, trading as Essex & Suffolk Water, we provide water services to around 2.1 million people, including approximately 1.8 million in Essex and 0.3 million in Suffolk.

Every day, we supply around 1.1 billion litres of drinking water, while operating and maintaining extensive infrastructure including treatment works, pumping stations and thousands of kilometres of water mains and sewers.

Our services support homes, communities, businesses and the environment, and we continue to invest for the long-term to provide resilient and affordable services for customers.

We employ around 4,200 people.



WHO WE ARE

OUR PURPOSE

Our purpose is to care 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, 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 wastewater services.

OUR VALUES

Our values shape how we work, how we serve customers and how we deliver our vision:

- Customer Focused
- One Team
- Results Driven
- Ethical
- Innovative

For more information on our Business Model, please see page 13 of our latest Annual Report here.

ASSURANCE SUMMARY AND OPEN DATA

Within this Annual Performance Report, we publish a range of information about our services and performance, including how we're performing against the commitments we made in our 2025-30 Business Plan. This helps to provide our customers and stakeholders with assurance that we're delivering what they've told us they need and want from us.

It's important that we have robust assurance arrangements to make sure this information is accurate, clear, and transparent. We focus a significant proportion of assurance activity on making sure that the information we publish in our Annual Performance Report is of appropriate quality. We've published a Data Assurance Statement alongside this Annual Performance Report. This details how we decide what level of assurance should be applied to our data (i.e. who should provide the assurance), and whether this has been completed during the year.

Our Board carefully reviews reports from both internal and external assurance teams throughout the year and in particular prior to signing the statement on Accuracy and Completeness which can be found on page 56.

In a number of areas Ofwat has set out specific assurance requirements, and we signpost our responses to these below:

Performance Commitment	RAG checklist required	Specific external assurance required
Business demand	✓	✓
Water supply interruptions	✓	
Internal sewer flooding	✓	
External sewer flooding	✓	
Biodiversity	✓	✓
Operational greenhouse gas emissions (water)		✓
Operational greenhouse gas emissions (wastewater)		✓
Leakage	✓	✓
Per capita consumption	✓	✓
Storm overflows		✓
Repairs to burst mains	✓	
Unplanned outage	✓	
Sewer collapses	✓	
River water quality		✓

We include a separate workbook with RAG Compliance Checklists for metrics where this is required. In summary all reporting components for these measures are Green, with the exception of a single amber component for Leakage in our northern region (in the leakage section of this report we explain why this doesn't have a material impact on our reported performance).

- External Assurance of Financial ODIS: We continue to ensure that performance against financial ODIs[1] in particular receives appropriate assurance – and take a risk based approach to determining which financial ODIs receive scrutiny from an external assurance provider as opposed to by our internal audit team. As a result, we obtain externally assurance for the measures listed in the table above and discharge compliance. The remaining measures are assured by our internal audit team.
- More information can be found in PwC's Independent Limited Assurance report in the Data Assurance Statement. Assurance has also been provided by other specialist providers as set out below:
- Greenhouse Gases: As required we provide a separate report to provide independent verification – conducted by 3rd party Achilles that our GHG PC reporting is compliant with ISO14064-1. In relation to our broader emissions reporting we provide a table of Strengths, opportunities, Weaknesses and Threats. (See page 39)

OPEN DATA

We continue to strengthen transparency through a proactive and evolving open data programme. We have openly published and regularly refreshed our Open Data Strategy and established governance processes to track data publication and refresh cycles. Our data is primarily made available via the Stream platform, where we are seeing strong performance and growing user engagement supporting a culture of collaboration, transparency and wider stakeholder participation.

[1] In this context by Financial ODIs we mean those listed in tables 3a and 3b – which excludes C-MeX, D-MeX and BR-MeX.

ASSURANCE SUMMARY AND OPEN DATA

Our approach focuses on delivering value for customers, regulators, researchers and the wider sector. We prioritise data publication based on industry-agreed use cases, the most frequently requested Environmental Information Regulations (EIR) datasets, and regional initiatives where open data can create local impact. Working closely with our Information Access team, we are proactively publishing commonly requested data to improve accessibility, reduce reactive requests, and demonstrate compliance with EIR obligations. We are also progressing new more streamlined methods of regular data publication such as exploring the use of automated APIs to improve the timeliness and usability of our data.

We are playing a leading role in advancing open data across the water sector. As a leader of the Stream project since 2020, we actively support industry collaboration, innovation challenges, and partnerships with universities and stakeholder organisations. We also take a leading role in speaking publicly about the progress we’ve made through the Stream project at many events and conferences. Through initiatives such as hackathons and the NWG Innovation Festival, we are helping to build a more open data ecosystem that drives innovation, accountability and evidence-based decision-making. Strong executive sponsorship and leadership engagement continue to reinforce our commitment to transparency and open data as a core element of how we deliver value for customers and meet regulatory expectations.

OWNERSHIP, FUNDING AND CAPITAL STRUCTURE[2]

We have set out the key information within the APR on ownership, funding and capital structure. We make a brief high level comment on each in this table whilst more detail can be found in the referenced or linked sections.

Key term	Reference within the APR
Company name and service area	Northumbrian Water Limited is the appointed provider of water and wastewater services across two distinct regions. In the North East of England, trading as Northumbrian Water, we provide water and wastewater services to around 2.7 million people. In Essex and Suffolk, trading as Essex & Suffolk Water, we provide water services to around 2.1 million people, including approximately 1.8 million in Essex and 0.3 million in Suffolk. The areas of supply are mapped as: Northumbrian Water: https://www.nwl.co.uk/our-region/supply-area/ Essex & Suffolk Water: https://www.eswater.co.uk/our-region/our-supply-area/
Licence and regulation and regulatory bodies	Northumbrian Water Limited hold an appointment to operates the public water networks in its appointed area as a water and wastewater undertaker for the purposes of the Water Industry Act 1991. The latest version of the instrument of appointment (licence) is held on the Ofwat website: https://www.ofwat.gov.uk/publication/northumbrian-water-consolidated-appointment/ Our economic regulator is the **Water Services Regulatory Authority (Ofwat).** https://www.ofwat.gov.uk/ Ofwat is a non-ministerial government department established in 1989. It ensures companies provide quality services at fair prices, acts in consumers' interests, and sets water company performance. Their duties are to: • protect the interests of consumers, wherever appropriate by promoting competition • make sure that the water companies properly carry out their functions • ensure that the water companies can finance their functions • promote economy and efficiency

[2] The information requirements are as set out in IN26/02 Section 1.6 Table 2, RAG3 Section 6 and with Section 35E of the Water Industry Act 1991.

OWNERSHIP, FUNDING AND CAPITAL STRUCTURE

Key term	Reference within the APR
	• contribute to the achievement of sustainable development Our other key regulators are: **Department of Environment, Food and Rural Affairs (DEFRA)** https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs Responsible for drafting legislation, standard setting and overseeing of the regulators. **Environment Agency** https://www.gov.uk/government/organisations/environment-agency Responsible for the monitoring and regulation of the water sector interactions with the environment. **Drinking Water Inspectorate (DWI)** http://www.dwi.gov.uk/ The drinking water quality regulator. They check that the water companies in England and Wales supply water that is safe to drink and meets the standards set in the Water Quality Regulations. **Consumer Council for Water** http://www.ccwater.org.uk/ They represent consumers within the water and sewerage sectors. They also investigate consumer complaints that have not been satisfactorily resolved by the water companies. A full overview of the Regulators and Regulatory Framework of the Water Industry is on the Ofwat website: https://www.ofwat.gov.uk/regulated-companies/ofwat-industry-overview/.
Corporate group and ownership	NWL is a private limited company registered in England and Wales with company number 02366703. and is a member of the Northumbrian Water Group (NWGL Group). It is a direct wholly owned subsidiary of Northumbrian Water Group Limited (NWGL), which is a private limited company registered in England and Wales with company number 04760441. The NWGL Group comprises NWGL together with all its direct and indirect subsidiaries (including NWL). NWGL has one other direct wholly owned subsidiary, NWG Commercial Solutions Limited (a private limited company registered in England and Wales with company number 10028815), which acts as a holding company for other non-regulated trading companies. NWGL also directly owns 50% of a joint venture company, Wave Ltd (a private limited company registered in England and Wales with company number 06492265) which through its trading subsidiary, Anglian Water Business (National) Limited, carries out non-household water and wastewater related retail activities in England and Scotland.

OWNERSHIP, FUNDING AND CAPITAL STRUCTURE

Key term	Reference within the APR
	The Company's "Ultimate Controllers" for the purposes of its Instrument of Appointment (the "Licence") are CK Hutchison Holdings Limited, CK Asset Holdings Limited and KKR & Co. Inc., but Ultimate Controller undertakings have been provided by other entities in the NWGL corporate structure. NWGL has also given an undertaking in accordance with the provisions of the Licence, as NWL's holding company. Please see further below under 'Ultimate Controller undertaking'. A chart showing the summarised corporate structure of the NWGL Group including material and majority investors and the percentage ownership shareholdings and period of ownership can be found on page 44 of the Annual Report and Financial Statements. For more information on NWGL, see: https://www.nwg.co.uk/about-us/nwgroup/ A summarised chart showing the corporate structure of NWL and its group structure can also be found on page 45 of the Annual Report.
Board and executive team	The Board has full responsibility for the long-term success of the Company and for all aspects of the regulated business. It sets the Company's purpose, strategy and values, and ensures these reflect the needs of customers and the environment. The Board provides independent leadership and oversight, including managing conflicts of interest and ensuring that its judgement is not compromised by group or external influence. It oversees risk, performance and financial resilience, and is accountable for ensuring transparency and demonstrating that decisions are aligned with the long-term interests of customers, the environment and other stakeholders. The Company's Executive Leadership Team is responsible for the day-to-day management of the business and delivery of the company's strategy set by the Board. It oversees operations, performance and compliance, manages risk and resources, and leads the organisation to ensure outcomes are delivered in line with regulatory requirements and the interests of customers and the environment. The members of the Board and their respective roles can be found on pages 79-81 of the Governance Report in the Annual Report and also on NWL's website at: https://www.nwg.co.uk/about-us/nwl/governance2/nwl-board/ The members of the Company's Executive Leadership Team and their respective roles can be found at: https://www.nwg.co.uk/about-us/nwl/governance2/executive-leadership-team/ Details of the Committees and Sub-committees of the Board (being the Audit Committee and its Risk and Compliance Sub-Committee, ESG Committee, Remuneration Committee and Nomination Committee) can be found from page 87 of the Governance Report in the Annual Report. The Terms of Reference of these Committees and Sub-committees can be found at: NWL Board Governance The latest remuneration reporting for NWL is set out in the NWL Remuneration Committee Report which can be found here from page 93 of the Annual Report. Further details regarding the Board and its governance can be found in the Governance Report, from page 74 of the Annual Report.
Regulatory ringfence	The financial regulatory ringfence (Condition P) licence condition requirements are: https://www.ofwat.gov.uk/publication/northumbrian-water-consolidated-appointment/

OWNERSHIP, FUNDING AND CAPITAL STRUCTURE

Key term	Reference within the APR
	Condition P requires the Appointee to ensure that it maintains sufficient financial and management resources to enable it to carry out its essential functions as a water and wastewater company in a sustainable manner. It protects customers from any risks associated with any activities undertaken elsewhere in the group where those activities could damage the ability of the company to undertake its core role as an essential provider of water and wastewater services. It also requires the Appointee to meet the Board Leadership, Transparency and Governance objectives and procure undertakings from its Ultimate Controller(s) (i.e. the shareholders of the company). Some specific requirements in Condition P include that: The Appointee must ensure that, at all times, there is an undertaking in place which is given by the Ultimate Controller of the Appointee for the following: To enable it to carry out the Regulated Activities the Appointee must, at all times, act in a manner which is best calculated to ensure that it has in place adequate financial resources and facilities, management resources and systems of planning and internal control. The Appointed Business neither gives nor receives any cross-subsidy from any other business or activity of the Appointee. Requirements for companies to stop paying dividends before their financial resilience leads to a downgrade in their credit rating to the lowest investment grade (the ‘cash lock up’). Requirements for companies to maintain dividend policies and to only declare or pay dividends under those policies that take account of service delivery for customers and the environment over time, current and future investment needs and financial resilience over the long term. Requirements for companies to hold credit ratings from at least two independent credit rating agencies, who can assess the financial resilience and stability of the company or to seek Ofwat’s agreement to an alternative arrangement, if appropriate. Requirement for companies to notify Ofwat about any changes to credit ratings (including changes in rating and/or outlook, new ratings assigned or planned rating withdrawals), with reasons for the change, where applicable.
Ultimate Controller undertaking	CKHH, CK Infrastructure Holdings Limited (CKI), Business Thrive Limited, KKR & Co. Inc, KKR Associates Diversified Core Infrastructure SCSp, Nimbus UK Bidco Limited have provided Ultimate Controller undertakings to the Company in accordance with the provisions of the Company’s Licence. NWGL has also provided an undertaking in accordance with the provisions of the Licence, as NWL’s holding company. **Confirmation** of Ofwat’s acceptance of the undertakings by all parties can be found at: https://www.ofwat.gov.uk/wp-content/uploads/2023/05/Northumbrian-Water-Conclusions-on-Change-of-Control.pdf and https://www.ofwat.gov.uk/wp-content/uploads/2023/05/Final-NES-Change-of-control-consultation-document.pdf **Purpose of Undertaking:** Ultimate Controllers are required to provide an undertaking in favour of the appointed water company confirming that they will provide the Appointee with such information as is necessary to enable the Appointee to comply with its obligations under the Water Industry Act 1991 or under its licence, and that they will not take any action that may cause the Appointee to breach any of its obligations under the Water Industry Act 1991 or its licence. The undertaking will remain in force as long as the person remains an Ultimate Controller of the Appointee. Where the UK Holding Company of the Appointee is not also the Ultimate Controller of the Appointee, it must also provide an identical undertaking in favour of the Appointee. Condition P4-11 of the Licence sets out full details of the undertaking. https://www.ofwat.gov.uk/publication/northumbrian-water-consolidated-appointment/

OWNERSHIP, FUNDING AND CAPITAL STRUCTURE

Key term	Reference within the APR
Funding sources and expenditure categories	Northumbrian Water is primarily funded from our customer bills; we receive no Government subsidy. Our revenue levels are regulated by Ofwat, who set out on a fixed five yearly basis the total amount of revenue that can be recovered through customer bills. The latest PR24 regulatory determination covers the period of 2025-30[3]. Beyond this core settlement bills can also vary throughout the period for service performance, where rewards and penalties are paid annually depending on whether the company is meeting its committed service levels (its 'Performance Commitments') or where the company is provided additional funding during the regulatory period as a result of a reopening of the price control, for example as part of Ofwat's more recent 'cost change' process[4]. Unlike other companies operating in the general economy, water companies are unable to increase prices even if rising input cost inflation, e.g. from power cost inflation, requires it and so customer bills and company revenues are subject to annual uplifts for CPIH inflation. This ensures that water bills rise no more than inflation in the general economy. Full details of what customer bills pay for are set out on our website, under the heading: 'Where does your money go': https://www.nwl.co.uk/tariffsandcharges. The two largest components are for 'people and materials' and 'maintaining and building assets', which make up 62% of the typical bill. The remaining 38% is for energy costs, taxes, rates and licences, and interest and profit on the investment. Historically, and over the current 2025-30 regulatory period, water companies need to make capital investments either to maintain the existing assets we use to provide water and wastewater services or to expand the capacity of those assets, for example to support growth or meet higher service performance or quality standards. The expenditure needed to meet these investments typically exceeds the total revenues recovered from customers in any given year. For example, during the current 2025-30 regulatory period the total amount of revenue NWL will be able to recover from customers is around £6 billion but the business will need to spend around £7 billion, meaning that for every £1 we take from customers we will need to spend around £1.16. We must fund the capital investment with new finance either borrowed from lenders (debt funding) or from our shareholders (equity funding). New equity funding is more expensive than debt funding, so it is cheaper for customers if we fund new investments through debt in the first instance. However, when a water company carries too much debt this increases its 'gearing', or the balance of debt funding commitments compared to the total amount of equity it has and can weaken its financial resilience and increase risk for customers. We therefore seek to adopt an efficient capital structure that minimises costs for customers but also maintain our financial resilience by ensuring we are able to maintain a strong credit rating which requires, amongst other credit metrics, us to work within certain thresholds for the total amount of debt we hold. As part of maintaining this balance, Northumbrian Water Group has recently received a £400 million equity investment to support delivery of its business plan for the current five-year regulatory period (AMP8), its largest and most ambitious plan for customers and the environment. More details on the debt financing raised by Northumbrian Water in the year is in our Statutory Accounts. https://www.nwg.co.uk/news-and-media/news-releases/northumbrian-water-group-confirms-400m-shareholder-equity-investment/
Total expenditure allowance (totex)	Overall, NWL spent £125m (19%) more than wholesale base totex allowances and £374m less than enhancement totex allowances in 2025/26. The base totex overspend applies to both water and wastewater services, opex and capital maintenance and is due to insufficient Final Determination funding levels. This is unlikely to reverse over AMP8.

[3] For more details, see https://www.ofwat.gov.uk/regulated-companies/price-review/2024-price-review/.

[4] https://www.ofwat.gov.uk/regulated-companies/price-review/cost-change-process/.

OWNERSHIP, FUNDING AND CAPITAL STRUCTURE

Key term	Reference within the APR
	The enhancement capex underspends are due to timing and we expect the variances to reverse by the end of AMP8. Our delivery plan still envisages delivery of the full AMP8 enhancement programme to the target deadlines. There have been delays to some schemes (in particular the storm overflow programme, which is by far the greatest element of the programme) due to uncertainty over the required deliverables under the AMP8 environmental programme. We will publish more detail in our next Delivery Plan update in August. Full details are on pages 46-48
Financial and metric charts	Key financial metric charts for the past three years and associated commentary are in pages 45-50.
Regulatory Capital Value (RCV)	As we describe above, the total amount we invest generally exceeds the revenues we collect from customers in their bills. Where we make new capital investments these are added to the 'Regulatory Capital Value' (RCV). The RCV reflects the allowed expenditure to be recovered from customers in future periods and represents a measure of the capital base of a water company when setting price limits. The RCV is inflated each year to maintain the RCV at current prices and is published by the regulator. It depreciates over time in line with the average expected age of the assets we build and by doing so ensures that customers only pay for the assets they are using at any one time in line with depreciation and replacement of those assets. The RCV thus ensures intergenerational fairness in water and wastewater charges over time despite the need to spend more money in any given year than is recovered in revenues from customer bills. At 31st March 2026, the RCV was **£6,620m** as notified by Ofwat. This is an increase of 14% on the £5,805m RCV at 31st March 2025. See https://www.ofwat.gov.uk/publications/regulatory-capital-value-updates/ for more details.
Net debt	Total borrowings and net debt are as reported and defined in Table 1E.3 and 1E.6 respectively. For 2025/26, year end net debt was £4,057m. This is £146m lower than the £4.2bn reported for 2024/25 due to the £400m of equity injected on 31st March 2026. As we describe above, the board of NWL seeks to balance the need for an efficient capital structure which reduces bills for customers, with the need for financial resilience and a strong investment grade credit rating.
Regulatory gearing	Gearing measures the percentage of a company's regulatory capital value that is financed by debt. The regulatory gearing metric is consistent with that calculated and reported at Table 1E.7 i.e. net debt divided by RCV. For 2025/26, the year end regulatory gearing was 61.3%. This is substantially lower than the 72.4% gearing in 2024/25 and has fallen in large part due to the £400m equity injection made on 31st March 2026. This compares to average gearing for UK water companies of 68%[5] and 55% for energy network companies[6] in 2024/25.
Return on Regulatory Equity (RoRE)	Return on regulatory equity (RoRE) is a post-tax measure of return on the notional regulated equity. It seeks to provide a calculation of the return shareholders of the company would receive based on a 'notional' capital structure which reflects the regulator's view of the appropriate capital structure for an efficient firm. By adopting a 'notional' structure the regulator leaves the actual capital structure of companies firmly with the shareholders and boards of those companies and elsewhere in its regulatory settlement the regulator uses the notional structure to drive efficiency

[5] For 2024/25 year end

[6] Average of GD2, ET2, GT2, ED2 for 2024-25.

OWNERSHIP, FUNDING AND CAPITAL STRUCTURE

Key term	Reference within the APR
	and service improvement. For example, it does this by assuming that the notional firm operates amongst the top 25% of companies for cost efficiency and sets common service improvement targets for the sector, for example for water supply interruptions. It is commonly presented relative to the allowed return on equity and reflects performance against: • financing costs versus the final regulatory determination; • the cost allowances that companies are provided in the determination; and • price control incentives for service performance, where companies face penalties if they miss service targets or can gain rewards if they exceed them. RoRE is consistent with that calculated and reported at Table 4H.5. For 2025/26, RoRE for the notional business was 6.49% and 9.25% for the actual structure. More details on the RoRE components are on page 45. During the previous regulatory period (2020-25) the water sector achieved an average RoRE of 1.7%[7] compared to the expected equity return offered at the 2019 Price Review of 4.1%. As part of this underperformance every Water and Sewerage Company overspent their allowed costs considerably and most companies earned service performance penalties. This suggests that the notional firm was significantly miscalibrated for that period. Ofwat has made several changes in its 2024 Price Review but it remains unclear at this point if these changes will be sufficient to provide a more balanced and fair settlement for customers over the long-term.
Dividend declared and yield	The total dividend **paid** in the regulatory year by NWL was £46.3m. As a percentage of the actual year end regulated equity (as reported in table 4H.6), the dividend yield was 1.8%. We have **proposed** a further final dividend of £56.2m relating to 25/26 performance to be paid in 26/27, bringing the total dividend yield for 25/26 performance to 4%. This compares to Ofwat's suggestion in its 2024 Final Determination that a 4% yield should be sufficient for a company delivering its regulatory settlement and the 25/26 RoRE of 9.25% (actual structure).
Capital structure and composition	On 31 March 2026, Northumbrian Water Group received a £400 million equity investment to support delivery of its business plan for the current five-year regulatory period (AMP8), its largest and most ambitious plan for customers and the environment. Of the £400m investment, £300m is contributed by CK Group shareholders and £100m from Northumbrian Water's other shareholder, KKR, in line with their 25% stake. The equity injection builds on support shareholders have already shown by committing to early investment in advance of AMP8. This allowed key preparatory work for AMP8 to begin ahead of regulatory approval, ensuring the business was able to maintain momentum from AMP7 and start the ambitious 2025-30 investment programme early. Our priority is ensuring that the future service for our customers is protected and they continue to have a high performing water company they can rely on. Our shareholders have acted decisively, committing significant new funding that will accelerate improvements for customers and deliver real environmental benefits over the next five years. Having such supportive, stable long-term investors is hugely positive for our business and for the regions where we operate.

[7] https://www.ofwat.gov.uk/wp-content/uploads/2025/11/The-Monitoring-Financial-Resilience-Report_2024-25.pdf page 24.

OWNERSHIP, FUNDING AND CAPITAL STRUCTURE

Key term	Reference within the APR
	Andrew Hunter, Co-Managing Director of CKI and Chair of Northumbrian Water, stated: “This equity injection reaffirms CKI’s commitment to Northumbrian Water and our confidence in the outlook for the UK water sector as a long-term infrastructure owner-operator. Since 2011, under the CK Group’s ownership and guidance, Northumbrian Water has consistently been a top-performing water company across financial and operational barometers. CKI is providing the financial resources and strategic stewardship to ensure this trajectory continues for Northumbrian Water into the future. The £400 million investment is paramount to future-proofing Northumbrian Water’s network and for continuously driving its operational excellence, efficiency, and financial resilience. These qualities are essential for ensuring service standards and operational resilience over the long term.”[8] **Statement on debt position:** To minimise the risk of not being able to access funding when required, NWL aims to maintain diversification when considering sources of debt financing. Currently, the majority of NWL’s long term debt funding comes from the UK public bond market, with bank term lending and private placements, including our recent and first US Private Placement, making up the remainder. As debt issuance requirements rise with the level of capital expenditure in AMP8, NWL will look to further diversify its funding sources, including looking at other foreign debt markets where economical to do so. NWL also aims to maintain a smooth maturity profile to minimise interest rate and maturity concentration risk. NWL has a single fixed rate £300m public bond maturing in October 2026 and has sufficient liquidity to repay this (see Liquidity and going concern section below).
Dividend use	Dividends paid by NWL in the year provide a return to shareholders for their previous and ongoing equity investment in the company.
Liquidity and going concern	Our Viability Statement can be found on page 120 of the Annual Report. The Company’s policy is to ensure sufficient liquidity, including cash, deposits and standby committed bank facilities, is available at the year-end to meet forecast net requirements over the proceeding twelve months. At 31 March 2026, NWL had c.£1bn in available liquidity, including £600m (31 March 2025: £375m) of undrawn bank facilities and c £400m of cash & cash equivalents. After the balance sheet date, further committed financing of £100m (equiv.) was secured via two private placement issuances. The company’s main £600m bank facility is held with six relationship banks and matures in in April 2028, with options to extend to April 2030.
Credit ratings	NWL has credit ratings from Moody’s and Fitch rating agencies. Post year end, there have been improvements in the credit rating of NWL: The NWL Moody’s rating was increased from Baa1 negative outlook to Baa1 stable outlook on 20 April 2026[9].

[8] https://www.nwg.co.uk/news-and-media/news-releases/northumbrian-water-group-confirms-400m-shareholder-equity-investment/

[9] https://www.moodys.com/research/Moodys-Ratings-affirms-Northumbrian-Waters-Baa1-ratings-changes-outlook-to--PR_522460 and https://www.thewaterreport.co.uk/single-post/northumbrian-wins-stable-outlook-and-affirmed-investment-grade-credit-rating-from-moody-s

OWNERSHIP, FUNDING AND CAPITAL STRUCTURE

Key term	Reference within the APR
	The NWL Fitch rating was increased from BBB+ negative outlook to BBB+ stable on 12th June 2026[10]. As such, Northumbrian Water is not subject to the licence condition P distribution lock up (threshold BBB/Baa2 negative or below rating) and is compliant with the licence condition P requiring two investment grade credit ratings (at least BBB-/Baa3).

[10] https://www.fitchratings.com/research/corporate-finance/fitch-revises-northumbrian-water-limited-outlook-to-stable-affirms-senior-unsecured-at-bbb-12-06-2026

PERFORMANCE INTRODUCTION

This report summarises our performance against our Outcomes during the regulatory year ending 31 March 2026. This is the first year of delivery for our 2025-30 Business Plan.

To track performance against our Outcomes we have clear metrics with associated targets – our Performance Commitments (PCs). For delivering better performance in certain measures, we could earn a financial reward. Conversely, poor performance in certain measures could incur a financial penalty. These rewards and penalties are called Outcome Delivery Incentives (ODIs).

This performance report sets out the work that we are doing to deliver our 2025-30 PCs along with our progress towards the longer-term goals which we've set.

The report provides extended commentary for tables 3A to 3I, which is a summary of our performance against our PCs that we must provide for our regulator (Ofwat) every year.

We measure our performance and calculate any penalties or rewards using the methodology in our PR24 Final Determination, along with any subsequent amends set out in the CMA's recent redetermination.

Further information about our performance is available on our website www.nwg.co.uk. For information about how we are performing in comparison to other water and sewerage companies, visit www.discoverwater.co.uk.

ANNUAL PERFORMANCE AT A GLANCE

We show figures in green where we've met our performance against our promise this year, and red where we have not met our performance. Similarly, any applicable rewards are shown in **green** and penalties in **red**.

Table 1: Summary of outcomes performance for 2025/26

Outcome	Measurement units	Target (2025/26)	Performance	Comparison to last year	Reward / Penalty
Customers receiving excellent service everyday					
C-MeX	Number (Nr)	Median	1st (75.17)	1st	£10.1m (July 2026, Ofwat TBC)
D-MeX	Nr	Median	4th (86.50)	Worse (3rd)	£3.38m (TBC)
BR-MeX	Nr	Median	3rd (83.64)	n/a	£4.10m (TBC)
Water supply interruptions	HH:MM:SS	00:08:25	00:06:35	Worse	£1.12m
CRI	DWI number	0 (deadband to 1.5)	3.90	Better	-£2.92m
Water quality contacts	Per 1,000 population	0.95	1.02 (4,778 contacts)	Worse	-£0.39m
Internal sewer flooding	per 10,000 WW connections	1.54	0.54 (72 incidents)	Better	£11.9m
External sewer flooding	per 10,000 WW connections	20.11	16.25 (2,160 incidents)	Better	£13.8m
Environment					
Leakage	MLD 3 yr Avg	168.4	168.1	Better	£0.21m
Per Capita Consumption	L/p/d 3 yr Avg	148.9	153.0	Worse	-£3.29m
Non household Demand	MLD 3 yr Avg	230.3	213.2	Better	£3.06m
Total pollutions	per 10,000km	27.44	50.29	Worse	-£6.66m
Serious Pollutions	Nr	0	2 (TBC EA)*	Worse	-£1.56m
Bathing water quality	%	75.2	83.2	n/a	£6.34m
River water quality	%	0%	13.99%	n/a	Non-financial
Storm Overflows	Avg per CSO / Uptime	19.33 / 97%	17.70 / 95.00%	Better	-£0.50m

ANNUAL PERFORMANCE AT A GLANCE

Outcome	Measurement units	Target (2025/26)	Performance	Comparison to last year	Reward / Penalty
Biodiversity	BUs	0	0.05 (10.75 BUs)	Better	£0.30m
Discharge compliance	%	100% (deadband 99%)	98.52%	Better	-£0.31m
Greenhouse gases – water	Tonnes	99,645	109,771	Worse	-£2.33m
Greenhouse gases - waste	Tonnes	97,380	91,357	Better	£1.56m
Asset health					
Mains repairs	per 1,000km	123.4 (deadband to 133.4)	151.2 (4,007)	Worse	-£3.76m
Unplanned outage	%	3.95%	1.65%	Better	£4.6m
Sewer collapses	per 1,000km	7.93	6.42 (195 actual)	Better	£0.63m

We have achieved 11 out of 20 performance commitments in 2025/26 (excluding MEXes), earning rewards for ten of these achievements, excluding the final confirmation of C-MeX, D-MeX and BR-MeX rewards.

We also accrued penalties for not meeting nine of our PCs this year. We acknowledge areas where we fell short of our intended goals and have clear performance improvement plans in place.

We describe each of these areas in more detail below.

* Our performance for serious water and wastewater pollution incidents for 2025 was still being reviewed by the Environment Agency at time of publication. Previously, NWL has achieved an industry-leading status with zero serious water pollution (Category 1 or 2) since 2020 or a serious wastewater incident since 2021.

OUR 2025/26 PERFORMANCE IN DETAIL

CUSTOMERS RECEIVING EXCELLENT SERVICE EVERYDAY

- **Customer measure of experience (C-MeX):** customer service score resulting from the average of two customer surveys; customer service survey (satisfaction survey of a sample of residential customers who have recently contacted NWL) and customer experience survey (satisfaction survey of a random sample of residential customers relating to overall experience with NWL).
- **Developer services measure of experience (D-MeX):** average developer service customer experience from a sample satisfaction surveys from those who have recently transacted with NWL and a percentage score of NWL's performance against service metrics.
- **Business customer and retailer measure of experience (BR-MeX):** average business customer score from customer surveys and market performance metrics.
- **Water supply interruptions:** average number of minutes lost per customer for the whole customer base for interruptions three hours or more.
- **Compliance risk index:** Drinking water inspectorate (DWI) score.
- Customer contacts about water quality: number of contacts from customers regarding the appearance, taste or smell, per 1,000 population.
- **Internal sewer flooding:** number of internal sewer flooding incidents per 10,000 sewer connections.
- **External sewer flooding:** number of internal sewer flooding incidents per 10,000 sewer connections.

CUSTOMER EXPERIENCE (C-MEX)

Customer experience score – C-MeX

Target 2025/26 Median Company	Actual 2025/26* 1st (75.17)	Reward 2025/26 £10.1m (TBC)	2021/22 2nd (84.46)	2022/23 1st (83.74)	2023/24 3rd (83.4)	2024/25 1st (80.37)

*methodology change

Our ambition is to be in the top two companies for C-MeX, reflecting our commitment to provide unrivalled experiences for our customers and our National Leader vision. This 'top two' target is also reflected in our company performance scorecard. We are delighted to have finished in 1st place overall in 2025/26 after also finishing top last year. Our performance in C-MeX has been consistently strong, with two first places, one second and two third places in the previous five-year period, showing continued and consistently strong industry leading performance.

We know that it is critically important that our customers can rely on us to provide timely, tailored and value-adding services. We strive each day, across our entire operation, to ensure our customers are at the heart of what we do, and that this is clearly reflected both in the service and experiences they receive, and how they perceive those services.

We are incredibly proud of the consistently strong results we've achieved in each quarter across the first year of the new business plan period. Such strong results do not happen by accident but are the outcome of continued focus and relentless attention to detail, as well as a clear and well-executed commitment to continuous improvement. Building from an already strong performance level requires tenacity, resilience and sometimes inflection. The courage to make changes and to drive innovation, whilst also ensuring that the service experience and personal touches that we've built into our service leadership philosophy are not negatively impacted by doing things differently.

Our philosophy of getting things right first time, quickly, all the time has really helped our teams understand the expectation of being both effective and efficient and our 'Living Water, Loving Customers' philosophy sets the clear tone for how we expect that to be achieved. Together, they help us work in ways that mean high numbers of our customers feel their queries and issues have been resolved when Ofwat survey them - and we know from our own Voice of the Customer programme, as well as research and feedback more broadly, that resolution, as well as strong, clear communication, are key drivers of satisfaction when it comes to customer experience.

The table below shows how we have performed for each of the categories within each of the survey areas, by quarter, across 2025/26. We are delighted that this year has seen consistently strong but also improving performance in terms of our relative rankings by quarter, and we know that this has really helped us retain our top position in industry overall.

C-MeX performance by quarter

2025/26 YTD	Overall C-MeX	Overall CSS	Overall CES	Billing CSS	Water CSS	Waste CSS	Water CES	Waste CES
Q1	2nd	6th	1st	8th	7th	2nd	1st	1st
Q2	2nd	2nd	1st	4th	5th	2nd	2nd	1st
Q3	1st	2nd	1st	3rd	4th	2nd	1st	1st
Q4	1st	3rd	1st	5th	2nd	4th	2nd	1st

Source: BMG Research

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DEVELOPER SERVICES MEASURE OF EXPERIENCE (D-MEX)

Customer experience score – D-MeX						
Target 2025/26 Median Company	Actual 2025/26 4th 86.50	Reward 2025/26 £3.38m (TBC)	2021/22 5th 88.56	2022/23 6th 89.85	2023/24 2nd 91.6	2024/25 3rd 91.91

We are currently 4th in the industry, compared with 3rd in the previous year, which remains a strong overall position. Our qualitative score is 79.90 and our quantitative score is 99.73, giving a combined score of 86.50, compared with 91.91 last year.

The reduction in score has been driven mainly by price increases, which have affected the majority of water companies, alongside a change in survey methodology. The introduction of email responses has had an impact, as these typically score lower than telephone surveys.

We continue to focus on improving the capability of our systems, including extending Salesforce to other teams that support the developer journey. This work will continue throughout 2026/27 and beyond, with the aim of managing the end-to-end customer journey in one system. Salesforce also provides opportunities to introduce more innovative ways of communicating with and supporting our customers, which we are continuing to develop.

BUSINESS CUSTOMER AND RETAILER MEASURE OF EXPERIENCE (BR-MEX)

Customer experience score – BR-MeX						
Target 2025/26 Median Company	Actual 2025/26 3rd 83.64	Reward 2025/26 £4.10m (TBC)	2021/22 n/a	2022/23 n/a	2023/24 n/a	2024/25 n/a

BR-Mex is made up of three components, B-MEX (the non-household customer measure of experience (50%), R-MeX (the retailer measure of experience (25%) and the Market Performance Framework (MPF) (25%).

With B-MeX, our customers have rated us highly through the year, we finished our Q1 and Q2 position in 2nd place each which gave us a YTD position of 1st. In Q3, we have seen a slight dip in performance, putting us in 4th for the quarter, largely as a result of Portsmouth Water and SES Water improving their scores significantly in the quarter. In Q4, we seen our best result for the year with a score of 83.13 and achieving pole position, a huge 3.53 points ahead Portsmouth in 2nd. As a result of the amazing work the entire business has focused toward this new ODI, our B-MeX result, which makes up 50% of the overall ODI, we finished in 2nd place, only 0.02 point behind Wessex.

Communication remains the key driver for B-MeX, customers show a clear dissatisfaction with us when this is not done to a high standard i.e. the customer having to chase for an outstanding job. We are working across the business to raise awareness of BR-MEX and the importance of service to non-household customers, with the key takeaway is ‘every customer matters’ regardless of the ‘MeX’.

R-MeX is split into two periods, the first period April to September and the second October to March.

We achieved 5th position in April to September; the top of the table was extremely tight with our result only 0.5 points behind 1st place. In the second survey we finished in 2nd, providing an average score of 8.446. This placed us 3rd in the industry for the year. For most measures we performed very well, however the area that we have the most opportunity to improve in the first period was ‘effectiveness of financial policies’. Our dedicated Retailer account manager has discussed with each of the retailers we work with to understand their feedback, one of the common feedback points was that our metering invoicing has been inconsistent. We have been working with meter field services to rectify this issue and we have seen this improve greatly in the second survey.

Following the first R-MeX survey we developed an R-MeX action plan, focusing on the areas of feedback from the survey and our 121 sessions with retailers. We implemented a retailer newsletter following retailer feedback highlighting any changes to policies, updates on our activities and future plans.

The final element of BR-MeX is The Market Performance Framework (MPF), which makes up the remaining 25% of the final score. The MPF is split evenly three ways across;

- M12 – proportion of premises with address data accuracy
- M15 – Average lateness of failed SLAs
- M18 – Proportion of SLA’s completed on time.

As part of BR-MeX being implemented, we recruited a new Data Assurance team. Its purpose is to review, improve and monitor the quality of our premise data. In May 2025 we had 49.8% of our 91,000 premises verified against the valuation office, this improved to 70.3% by the end of March 2026 seeing an increase of 20.5%. Our position in the industry was 10th (against the proportion of premises with address data accuracy)

Since market opening, we have struggled with reducing the time take to complete SLAs, with competing operational priorities sometimes creating delays. However, in the latest year we have been able to improve our performance, from 6th with a score of 95.59% to 97.61%% by March 2026. Moving us to 2nd place. The top WASC, Severn Trent, is currently achieving 99.13% of jobs being completed on time. We are aware there is still improvement, and we need to improve performance against our repairs / exchanges of faulty meters, which often requires multiple teams to complete.

Of those jobs that failed their SLA’s (M15) on average, in March 2026, we closed them down 5.43 days late, placing us in 1st overall. This is an improvement from April 2025 when the standard started where we were 8th WaSC with an average lateness of 12.33 days.

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Ensuring that teams are aware of and focus on completing SLAs on time has been crucial for the business to understand its importance and the impact it has on BR-MeX. In order to keep the focus on this the team have weekly catch ups, monthly 1:1's and a process to escalate SLA failures to more senior managers.

WATER SUPPLY INTERRUPTIONS

Water Supply Interruptions – HH:MM:SS						
Target 2025/26 00:08:25	Actual 2025/26 00:06:35	Reward 2025/26 £1.12m	2021/22 00:11:45	2022/23 00:08:17	2023/24 00:05:32	2024/25 00:04:40

Our performance was 6 minutes 35 seconds against the industry target of 8 minutes 25 seconds for water supply interruptions over three hours, outperforming the PC and earning an ODI reward.

This performance was delivered despite a busy operational year, responding to the impacts of both dry summer conditions and cold winter weather.

During unplanned supply interruption events, we continue to deploy temporary mobile storage tanks, rezone the distribution network, and install temporary overland supplies to keep customers in service wherever possible. For planned work, we proactively apply the same mitigations to minimise customer impact.

We remain committed to reducing the effect of interruptions on customers and to continually improving our response. We review and learn from past events to identify what worked well and where we can refine our approach. This insight helps us prioritise and understand the benefits investment in future mains renewal schemes.

WATER QUALITY COMPLIANCE (CRI)

Water quality compliance – DWI score						
Target 2025/26 0 (deadband to 1.5)	Actual 2025/26 3.90	Penalty 2025/26 £2.916m	2021/22 6.36	2022/23 7.62	2023/24 3.45	2024/25 10.94

While we still have more work to do in order to bring our performance within the deadband of 1.5, we are pleased to see a significant improvement on the previous year.

CRI performance is based on water quality samples taken at various locations including treatment works, customer taps, and service reservoirs.

TREATMENT WORKS

A total of 0.55 CRI units were attributed to treatment works samples, a big improvement from 8.5 units in the previous year. All were 'technical' breaches, with investigations demonstrating that there was no impact on consumer health.

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.

When a failure occurs at an asset or in a supply area that is subject to an agreed programme of work with the Drinking Water Inspectorate (DWI), the DWI's compliance assessment will increase the associated CRI score.

In line with our agreed programme of work with the Drinking Water Inspectorate (DWI) specific to WTWs, our Hazard Review Process has continued. To date, all of our WTWs have been reviewed and approximately a third of 2,700 identified improvements made. These range from process optimisation and minor changes of activity on site to significant investment at individual site. We are confident this had had a significant impact on improvement to CRI performance.

These improvements, and our investment strategy throughout AMP 8, is aligned to ascertain risk reduction 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. Mitigations include enhanced filter backwashing and performance, plus new carbon dosing capabilities at named sites.

Alongside these improvements, we have also undertaken a series of focused proactive CRI audits at each of our major treatment works. This encourages peer review and the transfer of best working practices across sites, and we expect this approach to generate multiple marginal gains on CRI performance as part of our tactical plan for this measure.

CUSTOMER TAPS

The majority of CRI sample failures (68%) are attributed to customer tap samples. Around 90% of the sample failures recorded in 2025 were at customers' taps at the point of use. Most of these results were due to identified internal plumbing issues or the property supply pipe and individually have a negligible impact on CRI. Once combined however, they can have a high impact. In these circumstances, we work closely with the customer to understand the issue and determine a root cause. We also regularly benchmark with other water companies to review sampling methods in order minimise fails relating to customer taps, including disinfection techniques.

Support for the customer can take several forms, including the issue of precautionary advice and bottled water while investigations continue, education and awareness on tap hygiene and cross contamination in the home, and the replacement of lead communication pipes supplying

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a property where the risk is shown to be elevated. Our aim is to make sure customers retain a high level of trust in the tap water we provide.

SERVICE RESERVOIRS

There have been nine service reservoir (SR) failures in 2025, similar to nine in 2024 and eight in 2023. We are continuing with the enhanced programme of treated water storage tank inspections to mitigate risks identified at these sites which will lead to long term sustained improvement in this area.

NETWORK SAMPLES

Metals failures (iron, aluminium and manganese) contributed to 2.32 units in 2025, with ten failures being from areas recognised as having a potential risk to elevated metal content. Agreed programmes of work, known as a ‘Legal Instruments’, are being progressed to reduce the risk in these areas. However, failures occurring during the programme of work results in greater CRI scores.

As for WTWs, formal investigations are carried out into each of these breaches and actions have included short term flushing campaigns to support our planned flushing programme and local mains replacements. We continue to undertake pipeline management (strategic mains conditioning) and extensive local distribution flushing programmes to remove historic mains sediment to reduce the risk of failure.

We are also looking for innovative techniques to improve our flushing capability / efficiency further by taking on board methodologies utilised in Europe. In 2025, we were the first company to trial a technique which involves using pulses of compressed air accelerated to shear velocities in the pipe to provide a comprehensive cleaning method. This is also more efficient in water usage compared to traditional cleaning methods. Impulse cleaning has been deployed in both the northeast and Suffolk and has so far proved successful.

Our smart network innovation has continued throughout 2025. The water quality sensor network in Teesside is currently the largest application of this type in Europe and was supported by Ofwat Innovation catalyst funding. We have already seen the benefits of this real time data in allowing us to alter network operation to improve operational decision making and the customer experience, and the network is now self-funded as a business-as-usual initiative. We are building a business case to expand the approach into further operating systems in 2026.

More broadly, we have also recently appointed a dedicated CRI Performance co-ordinator, who will play a key part in performance throughout 2026. The role is designed to support operational teams prioritise and deliver actions to enable further improvements to CRI performance.

We have seen a significant improvement in CRI performance in the last year, and we remain committed to continuous improvement in this area to achieve industry-leading performance and are delivering our long-term plans to reach this; this includes working closely with the DWI. We’ve accelerated funding in our base capital programme as part of a transformation plan and as our capital work continues and plans for AMP 8 develop, we hope to see further short-, medium- and longer-term improvement in our performance over the coming years.

WATER QUALITY CONTACTS

Water quality Contacts – per 1,000 population (actual contacts)						
Target 2025/26 **0.95**	Actual 2025/26 1.02 (4,778)	Penalty 2025/26 - £0.39m	2021/22* 1.03 (4,622)	2022/23* 0.96 (4,335)	2023/24* 0.86 (3,907)	2024/25 0.89 (3,971)

*historic performance is number of contacts of taste and smell or discolouration per 1,000 population.

Our plan continues to focus on discoloured water – brown, orange or black – which remains the main driver of this metric. We are progressing an agreed programme with the Drinking Water Inspectorate (DWI) to increase the number of trunk mains where flows can be raised in a controlled manner, reducing the risk of disturbing mains material and causing downstream discolouration. To date, we have conditioned around 50% of the strategic mains identified for this technique, and work is ongoing to identify further suitable assets.

We met our internal targets for flushing smaller-diameter mains across all three operating regions. Over the calendar year, we flushed more than 3,600 km of pipe, serving over 370,000 properties, and we will continue this programme into 2026. This was achieved despite a temporary pause due to prolonged dry weather. We also progressed innovations to improve flushing efficiency. In 2025, we became the first UK company to trial impulse cleaning, which uses pulses of compressed air to clean pipes at lower water volumes. Early results in the Northeast and Suffolk have been positive.

Water supplies for most areas typically originate from consistent sources; however, customers can be sensitive to changes made to support water resource management, planned maintenance, or to respond to reactive issues such as burst pipes. Alongside operational management of our network, we use text messaging, our website, and social media channels to inform customers and manage expectations around potential taste and odour changes.

INTERNAL SEWER FLOODING

Internal sewer flooding – per 10,000 wastewater connections (actual)						
Target 2025/26 1.54	Actual 2025/26 0.54 (72)	Reward 2025/26 £11.9m	2021/22 1.84 (238)	2022/23 1.21 (158)	2023/24 1.21 (159)	2024/25 1.03 (136)

Internal sewer flooding is one of the worst performance failures that our customers can experience. We are delighted to have reduced our internal sewer flooding incidents by a further 47% compared to the previous year (from 136 incidents to 72 incidents) and we continue to be a leading company.

Although the drier weather is likely to have contributed to our performance in the last year, we also continue to drive and monitor our sewer flooding performance through our sewer flooding tactical plan. We have introduced new interventions such as Customer Sewer Alarm

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(CSA) monitors which are helping us to respond to emerging risks in the sewer network at strategic locations before any flooding has occurred.

Since installation began, CSAs have helped teams identify and resolve issues quickly, resulting in several internal and external flooding incidents prevented. The monitors have also proven highly effective at spotting developing issues underground, with 51 blockages detected in this period. This proactive detection means blockages are cleared before they become service-impacting, reducing clean-up costs, customer disruption, and the risk of repeat incidents. This is complemented by our use of sensors and AI to detect anomalies emerging in the network which might indicate a problem.

Our Bin the Wipe campaign continues to deliver strong results in reducing sewer flooding incidents caused by blockages. Since the integrated marketing campaign launched in 2020, we've engaged with more than one million households now, raising awareness of the impact that flushing wipes can have on our network.

We now review all internal sewer flooding incidents on the next working day after they occur. This enables us to enhance our service by accelerating our response, keeping customers better informed about the root cause and planned actions, and ensuring Guaranteed Standards Scheme (GSS) payments are processed more quickly.

Our overall performance and the initiatives that we have in place to help reduce sewer flooding was recognised by Ofwat in their Sewer Flooding Customer Care Review report. Within this report, Ofwat identified us as leading in several areas of best practice, praising our top tier speed of response to incidents of sewer flooding and proactive risk management and communication.

EXTERNAL SEWER FLOODING

External sewer flooding – per 10,000 wastewater connections (actual)						
Target 2025/26 **20.11**	Actual 2025/26 16.25 (2,160)	Reward 2025/26 £13.8m	2021/22 26.64 (3,454)	2022/23 23.10 (3,018)	2023/24 21.02 (2,764)	2024/25 18.38 (2,431)

External flooding (and our continued improvement plans) follows a similar pattern and approach. We have reduced our external sewer flooding incidents by 11% on the previous reporting year (from 2,431 incidents to 2,160 incidents). This performance puts us now ahead of the industry average, and our ongoing improvements position us to become an industry leading company in this area in the near future.

Again, Ofwat[11] has praised our industry leading response time for responding to external sewer flooding incidents and our approach to reviewing and responding to customers, particularly those who have been worst affected (e.g. the small number of customers who have suffered repeat flooding).

ENVIRONMENT OUTCOMES

- **Leakage:** volume of leakage, in megalitres per day (MLD), reported as a three year average and a percentage reduction on 2019-20.
- **Per capita consumption (PCC):** volume of water used per customer per day, in litres per day, per person (l/p/d), reported as a three year average and a percentage reduction on 2019-20.
- **Business demand (NHH):** volume of water used by businesses, in megalitres per day (MLD), reported as a three year average and a percentage reduction on 2019-20.
- **Total pollutions:** number of pollution incidents per 10,000km of wastewater network
- **Serious pollutions:** number of serious pollutions as set out by the Environment Agency (Category 1 and 2), actual incidents.
- **Bathing water quality:** Average score of a company's classification of bathing water quality.
- **River water quality:** Percentage of the reduction in phosphorus emissions to river catchments.
- **Storm overflows:** Average number of spills per storm overflows
- **Biodiversity:** the number of biodiversity units (a measure of an area's value to wildlife) created per 100km2 of company land area.
- **Discharge compliance:** percentage performance against our water and wastewater discharge permit conditions.
- **Greenhouse gases – water and wastewater:** Percentage / tonnes reduction in greenhouse gas emissions in undertaking our water and wastewater functions.

LEAKAGE

Leakage – 3 year average MLD						
Target 2025/26 NWL 168.4	Actual 2025/26 168.1	Reward 2025/26 £0.21m	2021/22 197.80	2022/23 190.10	2023/24 178.30	2024/25 172.3
NW 115.8	115.7		134.70	129.80	123.10	118.6
ESW 52.6	52.4		63.10	60.30	55.20	53.7

LEAKAGE NW

This year our annual leakage has reduced to 110.1Ml/d, a 7Ml/d improvement on the 2024/25 performance. Our three-year average is 115.7Ml/d which is marginally ahead of our target and is also below the corresponding annual WRMP24 target.

[11] in their Sewer Flooding Customer Care Review report (Sewer-flooding-customer-care-review-12-Feb-2026.pdf)

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We began the year in a strong position, but leakage increased during the spring and summer due to prolonged dry conditions caused by a drought year. Whilst we were able to improve performance in the autumn, a freeze/thaw event in January caused leakage to rise by approximately 30% overnight, requiring a determined effort to recover performance before the end of the year.

Several key initiatives helped deliver the improvement seen this year. Pressure management activities including the optimisation of PRVs and deployment of controllers allowed for decisive and effective pressure management during the drought period. We expanded the use of specialist contractors to manage active leakage control across more areas. This has been effective and will continue moving into the next year. Other successful initiatives included satellite-based leakage detection, distribution input meter verification activities, and trials of fixed network logging technologies.

Programmes to increase the number of continuously logged business customers, split our largest DMAs and refresh the plumbing losses study are all underway. They will be delivered throughout 2026, and we expect to see the benefits later in the year.

We continued to review our analytical processes and data sources over the year. The calculation used to determine service reservoir leakage was updated to improve representativeness, and we made further adjustments based on meter verification activity completed in the field.

All our methodologies and calculations have been externally assured by PWC as part of the annual audit. Additional checks were performed in NW due to the performance being so close to target. There was scrutiny of the NHH property counts and consumption figures in Netbase compared to CMOS, but this was proven to be immaterial and will be monitored closely until the systems can be fully integrated. The RAG status remains similar to last year, all components are green other than the water balance gap, which, at 2.9%, is amber. This should improve as we go through the process of setting up and validating upstream flow balances throughout AMP8, in preparation for AMP9 reporting.

We do not consider that this has a material impact on the accuracy of our reported leakage because:

• The water balance gap has been allocated to the various water balance components – including leakage - using the best practice MLE methodology, which allocates the unaccounted for water across the water balance components according to their relative accuracy, that is components considered to be less accurate (with a worse ‘confidence grade’) are given a higher allocation.

• Sensitivity analysis shows that reported leakage is not especially sensitive to the confidence grade used for the leakage component, that is if the confidence grade for the leakage component is artificially worsened (so that a greater proportion of the gap is allocated to leakage) it does not have a material impact on overall reported leakage.

Reference should also be made to the overall audit opinion provided by external assurers in our data assurance summary.

LEAKAGE ESW

We have also delivered a reduction of leakage in ESW during 2025/26, delivering an annual figure of 51.6Ml/d compared to 54.8Ml/d in 2024/25. This is below the annual WRMP24 target and again achieved our three-year rolling PC target.

Like our North East region, we began the year in a strong position, but leakage increased during the spring and summer due to prolonged dry conditions. We brought in additional resources to help us recover, improving our performance into the winter.

In January, a freeze/thaw event caused leakage to rise by approximately 50% overnight. The business worked incredibly hard to find and fix all the leaks that had resulted from the cold weather and we managed to recover our position within 4 weeks. This got us back under the target profile quickly and we were able to maintain this until the end of the year.

There were no major projects in the Essex region, most of the improvements were delivered through existing teams by continuous improvement of leakage targeting and detection processes.

In Suffolk, we introduced additional analytical and operational support, enabling the deployment and maintenance of 1,000 temporary leakage detection loggers. This has proved very successful and will continue. In addition, meter replacements and splitting district metered areas helps with targeting and the calculation of leakage.

As per leakage in our Northeast region, we continued to review our analytical processes and data sources over the year, and all our methodologies and calculations have been externally assured by PWC as part of the annual audit. There was scrutiny of the NHH property counts and consumption figures in Netbase compared to CMOS but this was proven to be immaterial and will be monitored closely until the systems can be fully integrated. The RAG status remains similar to last year, all components are green with only a few minor amber elements.

PER CAPITA CONSUMPTION

Per Capita Consumption – 3 year average l/p/d						
Target 2025/26 NWL 148.9	Actual 2025/26 153.0	Penalty 2025/26 -£3.29m	2021/22 157.7	2022/23 159.1	2023/24 154.7	2024/25 152.7
NW 148.6	152.5		155.30	157.90	154.40	150.32
ESW 149.3	153.7		160.90	160.70	155.10	153.43

Despite having a strong plan for household water efficiency, we did not achieve our PCC commitment for 2025/26.

Performance was impacted by several factors, including contractor issues, extended dry and warm weather, and low voluntary uptake of water efficiency interventions among households.

Although we did not deliver the required reduction, we achieved savings through our household water efficiency schemes and made significant progress in laying the foundations for major improvements later in AMP8.

Our delivered schemes included:

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- Home water efficiency retrofit visits (internal and contractor)
- Leaky Loo repair programme
- Installation of flow regulators
- Provision of water saving kits
- The Ripple Effect, our KS2 education programme
- Customer outreach and digital engagement

Through the rollout of our smart metering programme, we are expanding our home water efficiency visits and increasing installations of flow regulators. We have also strengthened our team with dedicated resource to analyse smart meter data, enabling a more targeted and effective approach based on actual customer consumption patterns. We remain committed to delivering our household water efficiency plan and have incorporated recovery actions into the remainder of our AMP8 programme. These include trialling new products, expanding existing initiatives, and using behaviour change approaches to enhance water efficiency.

We welcome Ofwat's support for the national 'Let's Save Water' campaign and Ofwat's new water efficiency fund.

BUSINESS DEMAND

Business Demand – 3 year average MLD						
Target 2025/26 NWL 230.3	Actual 2025/26 213.2	Reward 2025/26 £3.06m	2021/22 n/a	2022/23 n/a	2023/24 n/a	2024/25 n/a
NW 150.1	135.9		n/a	n/a	n/a	n/a
ESW 80.2	77.3		n/a	n/a	n/a	n/a

*new measure

In April 2025, we launched our Business Demand Reduction Strategy to promote water efficiency among business customers, working collaboratively with retailers and third party partners. The strategy focuses on five workstreams: information provision, infrastructure and leak investigation, water efficiency solutions, and industry consultancy.

Across our region, we achieved water savings through targeted efficiency interventions. We also funded several pilot schemes, including an accessible grant fund to encourage business participation in reducing consumption.

We undertook market research and collaborated with other water companies to benchmark our approach and share best practice. Notable activity included:

- Premier Inn retrofit project, Waterscan and Whitbread; after a successfully pilot in Berwick, funding was expanded to include 29 sites across the supply region, delivering 300% of the forecast savings.
- Water Plus retrofit project at Tesco, retrofitting toilet with airgaps across 26 sites.
- Big Blue Eco Booster project, Wave; this project focuses on water efficiency in schools, aiming to complete 1350 fully funded visits across a four-year period.
- Hartismere Water Saving in Business Fund, which supported businesses affected by the local moratorium and delivered 9,462 L/d of savings through audits supported by Wave.

The insights from this year will guide our focus toward larger, higher impact solutions as we progress through the AMP, supporting our long term goal of a 9% reduction in business demand by 2038.Total pollutions

Total pollutions – per km EA wastewater network (actual incidents)						
Target 2025/26 27.44	Actual 2025/26 50.29 (151)	Penalty 2025/26 -£6.66m	2021/22 22.98 (68)	2022/23 19.98 (60)	2023/24 32.97 (99)	2024/25 38.97 (117)

For 2025, our performance for Category 1-3 wastewater pollution incidents increased to 151 incidents (50.29 against our PC of 27.44 incidents per 10,000km of sewer served) resulting in a penalty of £6.66m.

Our ambition remains to be the national leader in the provision of sustainable water and wastewater services and have continued to make progress in delivering actions to prevent pollution events across our operational asset base during the 2025 period. However, despite this hard work by our teams, total pollution incidents increased in 2025 to 151, compared with 117 registered in 2024.

This performance is below the level we expect. Our analysis shows the increase was driven by a combination of operational factors, including incidents at sewage treatment works and sewage pumping stations, external power interruptions and severe weather impacts. It also reflects increased Environment Agency oversight and inspection activity during 2025, particularly towards the end of the year as the sector prepared for formal methodology and reporting changes taking effect from 1 January 2026 (see below).

The main assets that have contributed to our 2025 total pollution performance were our sewage treatment works (38% of incidents) and sewage pumping stations (33%). Power outages, either power dips (brownouts) or total power outages (blackouts) from our external Distribution Network Operator (DNO) - which typically occur during storms - continue to be a main root cause of pollution events (accounting for 18% of all events, and 46% of sewage pumping station events). From the previous year we have delivered an 11% reduction in pollution incidents from our SPS assets from our targeted interventions to mitigate the impact of power interruptions, including the deployment of both tankers and generators.

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In 2025-30 we are investing a further £15.8m to improve power resilience at our sites, with some £11m of this additional funding agreed via the CMA process.

Our sewerage network which includes 30,237km of pipes accounted for 16.9% of incidents. Certain customer behaviours have a considerable impact upon this value as flushing inappropriate items leads to blockages which in turn can trigger an incident. We continue to address this through our successful Bin the Wipe campaign.

From 2026 the sector will see further significant changes to statutory reporting requirements for pollution. These changes include a change to the Environment Agency's pollution categorisation hierarchy and the incorporation of data from Event Duration Monitors at storm overflows into pollution performance reporting. Given that this will result in further volatility in pollution numbers, in future years Ofwat is changing its approach to setting the performance commitment – so in each year it will be set at industry median performance. Based on existing information we would expect to be very close to this target. We also expect the EPA red/amber/green thresholds to be adjusted accordingly in future years.

We have a secondary Environment Agency target to pro-actively 'self-report' at least 80% of all pollution incidents rather than rely on others to point out a problem. We consistently achieve high levels of self-reporting with a 2025 result of 89%.

Although we are disappointed in our 2025 performance we remain focused in reducing pollution incidents, our approach is described in more detail in our 2025 Pollution Incident Reduction Plan (PIRP)

SERIOUS POLLUTIONS

Serious pollutions – Number of incidents						
Target 2025/26 0 (deadband to 1)	Actual 2025/26 2 (TBC)	Penalty 2025/26 £1.56m	2021/22 1	2022/23 0	2023/24 0	2024/25 0

Our performance for serious water and wastewater pollution incidents for 2025 was still being reviewed by the Environment Agency at time of publication. Previously, NWL has achieved an industry-leading status with zero serious water pollution (Category 1 or 2) since 2020.

Unfortunately, during the 2025 period we have registered two wastewater pollution incidents caused by a burst rising main and minor leak from a storm overflow chamber, which currently have a category 2 assigned.

Discussions continue with the EA to validate these incident's final classification which may lead to a reclassification.

BATHING WATER QUALITY

Bathing water compliance - % score						
Target 2025/26 75.2%	Actual 2025/26 83.2%	Reward 2025/26 £6.34m	2021/22 n/a	2022/23 n/a	2023/24 n/a	2024/25 n/a

Under the bathing water regulations, high amenity sites are designated as bathing waters to protect human health and are classified every year as either: Excellent, Good, Sufficient or Poor. These classifications are calculated using the previous four years of regulatory sample results taken by the Environment Agency during the bathing season (May to September). The Ofwat ODI looks at a fuller set of samples than our headline published figures, and an overall % score is calculated based on the proportion of sites at each standard. For the 2025 bathing season, under Ofwat's ODI, this results in an average score of 83.2%, beating the performance commitment. Two sites that didn't meet the required standard are Cullercoats (Poor) and Littlehaven (Poor) which was designated as a new bathing water in 2024.

Cullercoats bathing water remains Poor. Extensive investigations and work undertaken with our partners at Cullercoats since 2017 has found that contaminated groundwater is the most likely reason for the deterioration in bathing water classification. In December 2022, groundwater flows from a polluted drainage culvert belonging to the local authority was diverted into our combined sewerage network because it was shown to contain high levels of bacteria.

A hydrogeological study to understand the pathways of groundwater into the Cullercoats bathing water was completed in September 2023. The recommendation to drill monitoring boreholes to determine the flows and quality of the contaminated groundwater across the catchment was implemented in time for the 2025 bathing season. This jointly funded work, with contributions from our partners North Tyneside Council and the EA, is ongoing to help identify the likely source or sources of contamination.

Littlehaven beach was designated in 2024 following a consultation by Defra which we were pleased to support following work with South Tyneside Council and the EA on the proposal. This coastal bathing water is located within the mouth of the River Tyne and given its estuarial topography there are complex factors behind its ongoing classification of 'Poor'. A detailed Water Industry National Environment Programme (WINEP) investigation, which will be completed in April 2027, is underway to understand sources of bacteria impacting bathing water quality and develop integrated improvement plans. The 2025 reforms to the bathing water regulations allows further time to put in place the necessary investment required to meet the bathing water standards.

A significant part of our ~£1bn storm overflow spills improvement programme (2025 to 2030) is in meeting the Government's bathing water target in the Storm Overflows Discharge Reduction Plan (SODRP). This requires all storm overflows associated with designated bathing waters to meet a standard spill standard by 2035 to protect human health. We have chosen two spills per bathing season for Excellent quality which aligns with our Long-Term Delivery Strategy for 100% Excellent by 2040.

For example, at Spittal Beach bathing water at Berwick-upon-Tweed, we are developing a whole-catchment solution using nature-based

OUR 2025/26 PERFORMANCE IN DETAIL

interventions under Ofwat's welcome accelerated infrastructure delivery project route for completion by March 2030.

Our WINEP also includes investigations at five bathing waters which had shown signs of deterioration the results of which will form actions in our PR29 Business Plan.

We continue to work in partnership to make improvements and maintain standards as seawater quality can be affected by many different sources of bacteria, such as run-off from agriculture, seabirds and urban pollution, as well as from our assets. This includes working closely with the EA and local authorities to understand bathing water quality compliance issues and identify priority beaches for closer attention.

Our bathing waters continue to be amongst the cleanest in the country. We were again ranked third in 2025 for the percentage of Excellent and Good coastal bathing waters in comparison with water companies in England.

RIVER WATER QUALITY

River water compliance - % score

Target 2025/26	Actual 2025/26	ODI 2025/26	2021/22	2022/23	2023/24	2024/25
0%	13.99%	n/a non-financial	n/a	n/a	n/a	n/a

The river water quality metric tracks the Phosphorous load discharged into watercourses via the final effluent at our Sewage Treatment Works (STWs), and compares it to a 2020 baseline. This is calculated by multiplying the average concentration of Phosphorous in the final effluent by the flow through the works.

For this reporting year have seen a 13.99% reduction. The target for this metric only requires reductions later in the 2025-30 period, so we are currently performing better than target.

The improvement so far is largely attributed to weather, with a very dry year resulting in lower flows through our STWs. However, we are investing significantly in phosphorous reduction in 2025-30, so we forecast sustained reductions in future years.

STORM OVERFLOWS SPILLS

Storm Overflows – Average per flow

Target 2025/26	Actual 2025/26	Penalty 2025/26	2021/22	2022/23	2023/24	2024/25
Avg 19.33	17.70	-£0.50m	n/a	n/a	n/a	n/a
Uptime 97.0%	95.00%					

*new measure

For 2025, our average spills per storm overflow was 17.70 beating our PC level of 19.33, and also our pledge to achieve a level of 20 average spills per overflow by 2025 – as set out in our Vision for Coasts & Rivers. Our performance represents a significant reduction in average annual spills from 30.07 in 2023 and 26.30 in 2024.

This commitment also assesses the operability of our Event Duration Monitors (EDMs) with a target of 97% - we are slightly behind this target (at 95.00%) and in combination with our spills performance this results in an ODI penalty.

Despite the reduction in spills delivered so far, we fully recognise the level of public concern with regards to the environmental impact of storm overflows and remain committed to further improvement. We are delivering over £1billion of investment in AMP8 to significantly reduce spills to 14 on average by 2030, an ambitious industry leading position. This step change in performance is being delivered to meet the Government's Storm Overflows Discharge Reduction Plan (SODRP) and delivered via the Water Industry National Environment Programme (WINEP).

Spill reduction benefits so far have come from our investment projects in the final year of 2020-25 with investment in new storm tanks in County Durham, underground storage constructed in Northumberland and capacity increases made at treatment works across Teesside and Tyneside. Projects have also been accelerated early 2025-30 to increase the resilience of our network to rainfall events including new surface water sewers being installed as part of the innovative Northumbria Integrated Drainage Partnership (NIDP).

A key area for investment is Berwick-Upon-Tweed, where we are progressing our £170m investment plans to reduce spills. This will entail catchment-wide surface water removal, sustainable drainage and nature-based solutions benefiting the environment, a designated bathing water and our customers.

Our main investment programme is complemented by smaller scale interventions which are being delivered via our Storm Overflow Tactical Plan - with a total expenditure of over £10m in its first year the focus here is on rapid low complexity interventions across both wastewater networks and treatment works that can deliver quick reductions in spills. This includes weir height adjustments, relining and remediation of sewers, inundation and infiltration works, installing additional network storage and flap valves. At our treatment works this includes activities to optimise and automate operations along with installation of additional storage. In 2026, our tactical plan has been scaled up and aiming to deliver over £21m of investment in spill reductions.

On Tyneside we are also implementing a ground-breaking £20m 'smart sewer' project with our partners HydroDigital to reduce spills from storm overflows. This revolutionary approach uses a combination of new technology, hundreds of smart sensors and AI analytics based on proven techniques used in the United States. This real-time decision support system is powered by a 'digital twin' – a digital version of the physical sewer network – which provides greater control over the system with the ability to make changes before spills happen. Flows are automatically balanced by diverting them to emptier parts of the network

OUR 2025/26 PERFORMANCE IN DETAIL

ahead of rainfall events. This technology also helps to identify areas where additional capacity is needed, allowing further targeted investments to be made to build alternative interventions where it most needed. We are exploring other areas for deployment of this technology.

Our plans to improve to improve the uptime of are focused on those monitors which are reliant on battery technology and communications via mobile phone networks – we are concentrating on improvements in technology, data communications, maintenance, and supporting processes and resources. Examples include using smart cameras and AI to validate spills. Process and maintenance improvements include a move to seven-day working.

We remain committed to our ambition to have the best rivers and beaches in the country. Our performance remains strong compared to water companies in England.

BIODIVERSITY

Biodiversity – BUs per 100km2						
Target 2025/26 0 BUs	Actual 2025/26 0.05 (10.75 BUs)	Reward 2025/26 £0.30m	2021/22 n/a	2022/23 n/a	2023/24 n/a	2024/25 n/a

*new measure

Our performance has been achieved based on activity at three main sites:

- Pandan Fields, an area of land adjacent to Hanningfield Reservoir in Essex, was removed from arable production to improve biodiversity. The reservoir is designated as a Site of Special Scientific Interest (SSSI) and Pandan Fields provides an important area for wildlife. Changing the management of this land will bring benefits for both wildlife and people using the public rights of way across the site. It will also provide a buffer to our important reservoir site.
- At Rickinghall Borehole in Suffolk, we planted a small orchard and seeded an area of previously arable land with a species rich grassland mix. This creation of a high distinctiveness habitat ensures benefit for pollinators and the species that rely on them, within an intensively farmed landscape.
- Hedgerow creation at Catcleugh Reservoir, one of our operational sites in Northumberland. This site is also adjacent to a SSSI, and the hedgerow will add to the connectivity and diversity of habitats in an important area.

To ensure oversight and assurance of performance against this measure, we have established an external stakeholder group (includes local Nature Partnerships, Wildlife Trusts, Rivers Trust etc) that approves sites for biodiversity improvements.

DISCHARGE COMPLIANCE

Discharge Compliance - % score						
Target 2025/26 100% (deadband 99%)	Actual 2025/26 98.52%	Penalty 2025/26 -£0.31m	2021/22 98.03%	2022/23 98.52%	2023/24 98.54%	2024/25 97.21%

Discharge Permit Compliance is reported as the total number of failing sites expressed as a percentage of the total number of discharges. This measure includes both Wastewater Treatment Works (WwTW) and Water Treatment Works (WTW) discharges and is subject to penalty only for under-performance, below a 99% deadband. From 2026 onwards, Ofwat is aligning the measure with the Environment Agency's EPA, which adds an additional five metrics that contribute to the measure. This year we have seen failures at three sites out of a total of 204 WwTW and WTW, these were; Billingham WwTW, Haggerton Castle WwTW, and Morpeth WwTW.

Billingham WwTW and Haggerston Castle WwTW both failed for suspended solids following a severe rainfall event and a mechanical failure coinciding with a significant change in population due to bank holiday tourism respectively. For Morpeth WwTW we experienced a high iron reading which was above the permitted level.

At Billingham and Haggerston Castle WwTW the treatment process has undergone a full root cause analysis to ensure clear understanding of the events leading to the sample failures, and identification of any mitigation or training requirements. To further ensure we are doing all we can to improve our performance for customers we are continuing to run our discharge compliance tactical plan. This covers both WTW and WwTW in NWL and in ESW. The tactical plan has had a full end of year review from key internal stakeholders, and additional interventions have been identified to support our work to improve discharge compliance. This ensures that targeted investments to support improvement in this measure, including for Billingham WwTW, are included in our base plan.

GREENHOUSE GASES

Greenhouse gases water - tonnes						
Target 2025/26 99,645	Actual 2025/26 109,771	Penalty 2025/26 -£2.33m	2021/22 n/a	2022/23 n/a	2023/24 n/a	2024/25 n/a
Greenhouse gases wastewater - tonnes						
Target 2025/26 97,380	Actual 2025/26 91,357	Reward 2025/26 £1.56m	2021/22 n/a	2022/23 n/a	2023/24 n/a	2024/25 n/a

*new measure

Our performance for this PC is reported in table 3a and 3e. And our performance is calculated using a different method to that of our in-year emissions performance that is reported in Table 11A.

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In 3e, the PC uses version 17 of the industry-standard carbon accounting workbook, this ensures that any change in performance is reflective of actual changes we have made, rather than methodology. Whilst in table 11A our company performance is calculated using the latest version of the carbon accounting workbook (currently version 20) to ensure that our emissions inventory follows best practice.

Both data sets are calculated on a materially different method than for the previous AMP, and hence comparison across years is not straightforward.

This year, following the PC definition, our emissions from wastewater operations have reduced 24.3% vs the 2024/25 baseline, with our regulatory target being a 17.4% reduction. For our wastewater performance in this area, we are receiving a reward of £1.56m.

Our emissions from water operations have increased by 7% against a target reduction of 5%. For our water performance in this area, we are subject to a penalty of £2.33m.

Whilst we continue to make progress on Net Zero, the new PC method is highly weather dependent – our disappointing performance in the water directorate was heavily influenced by the warm dry summer increasing the need for water pumping and chemical use.

We continue to focus on the following key interventions:

- We are adding to our fleet of large-scale solar arrays, with our generation having more than doubled since 2023;
- Continuing our position as the leader on energy from sewage sludge, with our biomethane exports up 15% since 2023/24.
- Continuing to be efficient in our travel – avoiding unnecessary journeys and travelling by public transport.
- Migrating our HGVs onto HVO (a form of biodiesel) which displaced 852 thousand litres of diesel in our bioresources fleet.
- Using electric vehicles wherever possible.
- Our reporting has been independently verified in accordance with ISO14064-1.

GREENHOUSE GASES – WIDER REPORTING (11A).

Greenhouse gas reporting includes a significantly wider scope than just our operational greenhouse gas emissions as defined under the Performance Commitment. This wider data set is reported in table 11A. Table 1 illustrates the difference in scope and the validity of the emissions inventory based on the quality of the input data and the method applied to that data.

OUR 2025/26 PERFORMANCE IN DETAIL

Table 1

	Emission Source	Red, Amber, Green		AMP8 operational emissions	Full scope (as reported in table 11A)
		Input data	Methodology	ODI	
Scope 1	Fuels	Green	Green (CAW)	Y	Y
	Process emissions	Green	Amber (CAW)	Y	Y
	Transport	Green	Green (CAW)	Y	Y
Scope 2	Grid electricity	Green	Green (CAW)	Y	Y
Scope 3	Operational subcontractors	Amber	Green (CAW)	Y	Y
	Business travel	Green	Green (CAW)	Y	Y
	Operational waste disposal	Green	Amber (CAW)	Y	Y
	Electricity T&D	Green	Green (CAW)	Y	Y
	Chemical use	Green	Amber (CAW)	Y	Y
	Construction	Amber	Amber		Y
	Other goods and services	Amber	Amber		Y
	Electricity well to tank	Green	Green (CAW)	Y	Y
	Fuels well to tank	Green	Green (CAW)	Y	Y

Source: NWL

OUR 2025/26 PERFORMANCE IN DETAIL

As per table 1, all emissions in the financial performance commitment are calculated in the CAW and the majority of the input data is very high quality (more than 99% of the emissions inventory is from high quality activity data).

Our total emissions inventory has increased significantly compared to previous years. For 2025/26, the sector, in agreement with industry regulator Ofwat, adopted an updated emissions factor for nitrous oxide (N_2O) emissions arising from the wastewater treatment process. This reflects the latest Intergovernmental Panel on Climate Change (IPCC) guidance and aligns the sector with the most up-to-date scientific evidence.

As a consequence of this change, total greenhouse gas emissions attributed to wastewater process emissions increased from 30 thousand tonnes to 126 thousand tonnes. This increase, whilst material, does not indicate a deterioration in operational performance. Rather, it represents an improvement in methodological accuracy and transparency, providing a stronger basis for future emissions management strategies and interventions.

For the extended scopes, our key area of concern is purchased goods and services (excluding chemicals and construction). This is a catch-all category for a diverse range of business activity and as such is very difficult to convert into a good quality emissions inventory.

With respect to the mandatory RAG rating for emissions related to our capital programme (construction), we consider that we achieve an amber rating in line with the Ofwat guidance as we:

- Have provided an estimate of embedded emissions data as it relates to capital projects;
- This estimate is based on bottom-up assessment of assets commissioned in-year combined with capital programme and spend information.
- This method and the input data was included in our CEMARs external assurance; and
- These emissions are considered in the below SWOT analysis.

We also note that Ofwat requires our capital emissions reporting to align with an appropriate framework, with PAS 2080 being the most relevant. While our Asset Management processes are not yet accredited to PAS 2080, we are making good progress towards this, and have appointed BSI as our PAS 2080 auditor.

Importantly whole-life emissions are already part of our service value framework (which helps us assess, prioritise and undertake optioneering our capital plan) and we are working with our Capital Delivery Framework contractors to produce robust emissions assessments for all major capital projects in the next AMP. The PAS2080 framework includes requirements to consider emissions in each decision-making step – given that many of the decisions for the AMP7 capital programme were made before Ofwat introduced the requirement to align with such a framework it is not possible to retroactively comply.

OUR 2025/26 PERFORMANCE IN DETAIL

GREENHOUSE GASES – SWOT ANALYSIS

Table 2: SWOT analysis relating to our emissions inventory.

Strengths	Weaknesses
Positive audit outcome in relation to 2025/26 Scope 1,2 and Scope 3 emissions - compliance with ISO 14064 Part 1 2018. Our external audit covers all emissions sources (including capital and chemicals) and our use of the Carbon Accounting Workbook. Good quality activity data covers more than 99% of our Operational Emissions boundary. The first company to use 100% of our sewage sludge to create energy via advanced anaerobic digestion processes (AAD) before all sludge being beneficially recycled to land. Northumbrian Water has an embedded and mature approach to innovation with multiple projects in our innovation pipeline that could aid future emissions reductions, including algal wastewater treatment, ammonia recovery and real time power emissions optimisation. Relatively high data quality for chemical emissions with detailed information covering 95.2% of chemical use. New AI supported process for identifying and categorising emissions in our supply chain.	ISO 14064-1 audit requirements do not align well with Ofwat's PC definition – the audit standard focuses on larger emissions sources which are outside of the scope of the Performance Commitment. For the wider Scope included in 11A, 16% of our gross emissions are estimated based on high-level spend data. Notably, 16% of our emissions inventory is from purchased goods and services, excluding capital and chemicals, which given the quantum and diversity of items procured is very difficult to convert into an accurate emission value. Whilst good activity data is available, the emissions inventory is only as accurate as the emissions factors used. Within the CAW the energy related factors are robust, but the chemical and process emissions factors are known to be weak, although work by WaterUK has strengthened this.
Opportunities	**Threats**
We are committed to publishing an aligned emissions reduction Strategy and Implementation Plan by Q1 2027 aligned to UK government requirements and ambitions. Committed to achieving PAS2080 as an asset owner for our Capital Delivery covering all base and enhancement. This will be in place by 2027. We have committed to the Construction Leadership Council 5-point plan with robust steps in place to deliver diesel free sites, low carbon concrete, green and green steel.	Ofwat's regulatory approach means there are significant differences between our incentive performance (table 3E) and out actual performance (table 11A), which is unclear for customers. The change in scope between AMP7 and AMP8 is material – reported emissions under our ODI has increased by an order of magnitude despite no step change in operational performance – this is confusing and undermines customer confidence.

OUR 2025/26 PERFORMANCE IN DETAIL

Continual improvement in the science and measurement of emissions may identify areas where emissions reduction efforts need to be concentrated.	Despite Ofwat's financial incentive, the AMP8 performance commitments require the wider sector to make no improvements. With only 4 WASCS (including NWL) committed to delivering greenhouse gas reductions. This risks credibility of the sector and its stated ambitions. To deliver a just transition, action is needed across all sectors of the economy - it is the interest of customers, the environment and the UK for the regulation of Net Zero to be considered and implemented at an economy level rather than bespoke sector/company specific targets. At present net zero regulation is diverse across our supply chain and activities, with the new AMP8 PC adding a layer of financial incentive on top. This creates a scenario where the finical reward for any emission reduction varies significantly by activity, which may not be good value for customers. Further regulatory changes external to the sector during AMP8 may further distort decarbonisation activity.

Source: NWL

OUR 2025/26 PERFORMANCE IN DETAIL

ASSET HEALTH

- **Mains repairs:** number of water mains repairs per 1,000km of water network length.
- **Unplanned outage:** percentage of unplanned loss of capacity against our peak week production capacity.
- **Sewer collapses:** number of sewer collapses per 1,000km of wastewater network length.

MAINS REPAIRS

Mains repairs – per 1,000km of water network (actual)						
Target 2025/26 123.4 (3,303)	Actual 2025/26 151.2 (4,007)	Penalty 2025/26 -£3.76m	2021/22 110.9 (2,923)	2022/23 154.9 (4,097)	2023/24 109.4 (2,902)	2024/25 122.6 (3,239)

The prolonged dry weather from July through to October led to a 55% increase in mains bursts compared with the same period in 2024. In January, repairs were also 20% higher than the previous year. This represents approximately 700 additional repairs, which accounts for the uplift relative to last reporting year.

We continued to replace ageing mains, apply calm network principles during our operational activities, and actively manage network pressure.

UNPLANNED OUTAGE

Unplanned outage - %						
Target 2025/26 3.95%	Actual 2025/26 1.65%	Reward 2025/26 £4.63m	2021/22 4.57%	2022/23 3.51%	2023/24 2.89%	2024/25 1.95%

Continuing the trend of year-on-year improvement, we remain focused on proactive maintenance and timely reactive maintenance to ensure a reliable water supply for our customers.

This year, dry weather created significant demand challenges. Recognising the increased potential impact of any outage during this period, we positioned maintenance teams at key sites to enable rapid response. This approach led to a notable improvement in performance at several sites during the summer peak, as well as more consistent performance across the year.

Long term outages at Fulwell (Northumbrian Water), Roding Well, and Stifford Well water treatment works (Essex & Suffolk Water) continued to account for a substantial share of overall unplanned outage. Fulwell returned to supply in July 2025, and considerable progress was made during the reporting year toward restoring Roding Well. Stifford Well remains a larger, multi-year project that will continue throughout the AMP.

Other unplanned outages were driven by long lead times for critical parts or complex access issues that delayed repairs. Despite these challenges, the average size of our largest unplanned outages improved, reducing from 0.15% to 0.10%.

SEWER COLLAPSES

Sewer collapses – per 1,000 km of wastewater network (actuals)						
Target 2025/26 7.93	Actual 2025/26 6.42 (195)	Reward 2025/26 £0.63m	2021/22 8.71 (262)	2022/23 9.29 (280)	2023/24 8.39 (254)	2024/25 7.3 (222)

Our performance (195 incidents) places us below the industry average and although we are meeting our performance targets year on year in this area, sewer collapses is an area we want to improve.

We are undertaking additional industry benchmarking to identify further opportunities for improvement in the short term and are working with Ofwat on an Asset Health reopener business case to increase our annual sewer rehabilitation activity – under its welcome cost change approach.

Although we already lead the industry in sewer rehabilitation completed, a successful submission would enable increased delivery from April 2027 and support achievement of our 2030 business plan targets, improving our performance towards being an industry leader for sewer collapses.

OTHER TOPICS

SOCIAL TARIFFS

Our Water Without the Worry campaign is our umbrella affordability and inclusivity campaign, designed to make sure customers can access water and wastewater services without anxiety about cost, debt or vulnerability. Its core aim is to ensure that no customer worries about affording essential water services, particularly those on low incomes or in vulnerable circumstances.

The campaign and Shareholder Investment Fund support our public commitment to eradicate water poverty by 2030.

We also promote our financial support services:

- On our websites via our dedicated online Financial Support / Bill Help hubs (Financial support - Northumbrian Water and Financial support - Essex & Suffolk Water)
- Through billing and account communications
- Via social media channels where customers are encouraged to contact us or visit our online Financial Support / Bill Help hubs
- Our Customer Advisors are trained to identify financial difficulty, discuss affordability options and signpost customers to appropriate schemes during calls
- Our Customer Ambassadors and Customer Heroes who engage with customers face-to-face in our communities are also trained to provide guidance
- Our trusted partnerships with debt and community organisations (An example is given below)

We work with a company called ReachOut[12] to support our customers through difficult times – not just with money, but with any challenges they may be facing. Sometimes, we ask ReachOut to get in touch with our customers to see if they can help. ReachOut is not a debt collection agency and won't ask for payments. Their team, known as Pathfinders, provides friendly and confidential support. They'll listen to a customer's situation and guide them to charities and organisations that can offer free help, such as grants, advice, and support for financial, mental, or physical wellbeing.

We also work proactively to identify customers who are struggling with their bills or falling into debt. In those instances, we contact customers via SMS text messaging or email to offer support.

Following a Sprint at our annual Innovation Festival, we led a bid for funding from the Ofwat Innovation Fund for Support for All. A central platform for holding energy and water companies' Priority Services Register details was created so that information could be easily shared. It also allowed heat maps of coverage to be viewed, identifying gap areas where data was needed.

We have recently created two new roles of Stakeholder Engagement Ambassador. Their aim is to build partnerships with organisations, community groups and charities who can help spread the word about the financial support we can provided and our Priority Services. They will also explore data sharing opportunities so that will allow us to provide support to more customers.

SUPPLY AND DEMAND BALANCE

This section below provides a summary of our water resources situation for the year 2025/26 and report on progress with delivering the commitments we made in our latest Water Resource Management Plan (WRMP24). Further details will be published in can be found in our Water Resource Management Plan Annual Review customer summaries which will be available on our website later in the year.

NORTHUMBRIAN WATER SUMMARY

DEMAND

Annual average Distribution Input (DI) I for the Kielder WRZ for 2025/26 was 692.08Ml/d which is 14.42Ml/d higher than the previous year. Annual average DI for Berwick WRZ was 7.65Ml/d for the reporting year which is 0.27Ml/d lower than the previous year. The increase in Kielder DI is due to an increase in household consumption as a result of the drought conditions in 2025. The decrease in Berwick DI is from enhanced leakage reduction both on our network and private networks of businesses in the leisure and hospitality sectors. DI is 0.85Ml/d higher than our DYAA WRMP24 forecast due to the higher increase in household consumption than forecast under dry year conditions.

OUTAGE PERFORMANCE

Average daily outage in 2025/26 was 58.83 Ml/d, 4.61 Ml/d above the WRMP24 forecast of 54.22 Ml/d, but a significant improvement from 72.46 Ml/d in 2024/25. The variance from forecast reflects an increased number of planned outage events undertaken to maintain and enhance site resilience. At no point did outages compromise our ability to maintain supply.

LEAKAGE PERFORMANCE

Leakage has reduced from 117.07Ml/d in 2024/25 to 110.11Ml/d in 2025/26, a 6% year on year reduction. This delivers a three-year average of 115.7Ml/d against a Performance Commitment (PC) of 115.8Ml/d and represents a 19.0% reduction from the 2017/18 baseline.

Leakage reduced from 117.07 Ml/d in 2024/25 to 110.11 Ml/d in 2025/26 (a 6% year-on-year reduction). This delivers a three-year average of 115.7 Ml/d against a performance commitment (PC) of 115.8 Ml/d, and represents a 19.0% reduction from the 2017/18 baseline.

[12] https://reachout.co.uk/

OTHER TOPICS

While this performance meets both the three-year average PC and the annual WRMP target in the Kielder water resource zone, the annual WRMP target was not achieved in the Berwick water resource zone despite enhanced leakage reduction activity.

PER CAPITA CONSUMPTION (PCC)

PCC in 2025/26 was 155.4 litres per head per day (l/hd/d), an increase of 5.07l/hd/d from 150.3l/hd/d in 2024/25 and above the WRMP24 dry year forecast of 147.5l/hd/d. This represents a shortfall against our annual performance commitment. However, we remain committed to achieving our long-term targets of reducing PCC to 118 l/person/day by 2040 and 110 l/person/day by 2050 across both regions.

The increase in PCC in 2025/26 was primarily driven by:

- Dry weather conditions, which led to higher household demand. We implemented Drought Plan Level 1 actions, with no requirement for temporary use bans.
- Challenges associated with ramp-up of our AMP8 water efficiency programme.

DELIVERY OF METERING PROGRAMME

2025/26 has been a very positive start to AMP8. The 2025 annual billing period saw a vast increase in meter applications compared to previous years and as a result we have installed 18,837 optant installations against a WRMP24 target of 15,993.

We also saw the start of the rollout of the Connexin smart meter network, and, by 31st March 2026, 45,301 meters were connected to the network. This rich source of data allows us to better understand water usage in our supply area and identify leakage and wastage, enabling us to work with customers to help reduce demand and leakage.

Since the network went live, 2,876 customer side leaks have been identified, which has largely been helped by the introduction of our Meter Data Management system, which identifies if there has been continuous usage at a property over seven consecutive days, providing a higher level of accuracy in leakage detection than ever before.

Due to our ambitious AMP8 Metering Programme, we are working with Install Partners to achieve the large volumes of installations. Our chosen partners for the North, Network+ and United Infrastructure, started working with us in July & August 2025, which is later than we anticipated, however, this did not impact the delivery of our year one numbers.

DELIVERY OF WATER EFFICIENCY PROGRAMME

We have a balanced, focused, and effective water efficiency strategy designed to drive demand reduction through multiple channels. This includes water and energy saving retrofit visits targeted to the highest water users, an expanded leaking toilet repair programme, a highly engaging online school education programme, pioneering involvement in national behaviour change campaigns, an online water and energy calculator linked to a developing digital customer journey and a continuation of our active and leading role in the water sector. We have also developed a robust programme designed for our business customers, which will drive demand reduction through four key delivery areas: information provision, infrastructure and leak intervention, water efficiency solutions, and special industrial consultancy.

DELIVERY OF OUR WATER INDUSTRY NATIONAL ENVIRONMENT PROGRAMME

We are committed to protecting and enhancing the environment in line with our obligations set out in the AMP8 Water WINEP (Water Industry National Environment Programme) programme. This involves the successful delivery of 44 schemes by 2030, ranging from river restoration projects to improving regional groundwater models.

ESSEX & SUFFOLK WATER SUMMARY

DEMAND

Annual average DI for the Essex WRZ in 2025/26 was 401.89 Ml/d, an increase of 7.84 Ml/d compared to the previous year, largely reflecting higher household consumption during the 2025 drought.
In contrast, the Suffolk WRZs recorded an annual average DI of 67.22 Ml/d, a decrease of 1.18 Ml/d year-on-year. Despite experiencing similar dry conditions, this reduction was driven by continued leakage improvements and a decline in unmeasured consumption, supported by ongoing smart metering rollout across the region. This has helped offset the impact of the drought in Suffolk.
Overall, ESW DI is 13.73 Ml/d higher than the NYAA WRMP24 forecast and 2.29 higher than that the Dry year WRMP 24 forecast, primarily due to higher-than-anticipated household consumption under dry year conditions.

OUTAGE PERFORMANCE

Average daily outage across ESW in 2025/26 was 8.92 Ml/d, a significant improvement from 22.47 Ml/d in 2024/25 and well below the WRMP24 DYAA forecast of 15.25 Ml/d. The higher outage last year was primarily driven by the impact of a severe algal bloom at Hanningfield Reservoir.

LEAKAGE PERFORMANCE

Leakage reduced from 54.7Ml/d in 2024/25 to 51.58Ml/d in 2025/26, a 5.7% year on year improvement. This delivers a 3-year average of 52.4Ml/d against a Performance Commitment (PC) of 52.6Ml/d and represents a 22.9% reduction compared to the 2017/18 baseline.

Performance was particularly strong in the Essex WRZ, where both the annual WRMP target and the three-year average were achieved. While the Suffolk WRZ did not fully meet its annual target, continued progress has been made, supported by ongoing improvements and targeted interventions.

OTHER TOPICS

PER CAPITA CONSUMPTION (PCC)

In 2025/6, PCC for ESW was 154.30 litres per head per day (l/hd/d), an 0.87l/hd/d increase from 2024/5 (153.43 l/hd/d) and above the WRMP24 dry year forecast of 149.1 l/hd/d.

While this means the annual performance commitment has not been met, the company remains firmly committed to its long-term ambition to reduce PCC to 118 l/p/d by 2040 and 110 l/p/d by 2050 across both regions. The increase in PCC this year was primarily driven by:

- Prolonged Dry Weather / Drought 25/26 which increased household demand despite us implementing Drought Plan Level 1 actions; a Level 2 Temporary Use Ban (TUB) was not required.
- There were several challenges during the ramp up of our AMP8 water efficiency programme

DELIVERY OF METERING PROGRAMME

In 2025/26 we installed 62,904 meters across Essex and Suffolk compared to a target of 56,893. The increased customer demand for meters meant that optant installations had to be prioritised, leading to 9,285 installs compared to a target of 284. This resulted in resource being deprioritised from proactive installs.

Our smart network rollout continued to gather pace, and by 31st March 2026, 156,248 meters were connected to the network (up from 101,695 at 31st March 2025). This rich source of data allows us to better understand water usage in our supply area and identify leakage and wastage, enabling us to work with customers to help reduce demand and leakage.

In the last year, we have identified 16,662 leaks across our Essex & Suffolk Water region which are picked up via our meter data management system. This system identifies if there has been continuous usage at a property over seven consecutive days, providing a higher level of accuracy in leakage detection than ever before.

Due to our ambitious AMP8 Metering Programme, we are working with Install Partners to achieve the large volumes of installations. Our chosen partner for the South, CLC, started working with us in October 2025, which is later than we anticipated, however, this did not impact the delivery of our year one numbers.

DELIVERY OF WATER EFFICIENCY PROGRAMME

We have a balanced, focused, and effective water efficiency strategy designed to drive demand reduction through multiple channels. This includes water and energy saving retrofit visits targeted to the highest water users, an expanded leaking toilet repair programme, a highly engaging online school education programme, pioneering involvement in national behaviour change campaigns, an online water and energy calculator linked to a developing digital customer journey and a continuation of our active and leading role in the water sector. We have also developed a robust programme designed for our business customers, which will drive demand reduction through four key delivery areas: information provision, infrastructure and leak intervention, water efficiency solutions, and special industrial consultancy.

DELIVERY OF OUR WATER INDUSTRY NATIONAL ENVIRONMENT PROGRAMME

We are committed to protecting and enhancing the environment in line with obligations set out in our part of AMP8 Water Industry National Environment Programme (WINEP), which is double the size of our AMP7 programme. We completed all but one of our AMP7 WINEP actions (excluding schemes which were granted deadline extensions).

We are committed to delivering the one outstanding AMP7 WINEP scheme, the Wormingford eel screen scheme on the River Stour, in early AMP8. This site already has eel screens, which we are replacing to achieve current best available eel protection standards. We agreed with the EA extensions into early AMP8 for two further WINEP actions. Our contribution to the River Brett river restoration action, delivered by Affinity Water, was successfully completed by the agreed date of December 2025, and the Blackwater eel screen scheme has had its completion extended until September 2027 due to additional conditions attached to planning permission and significant engineering complexities associated with construction.

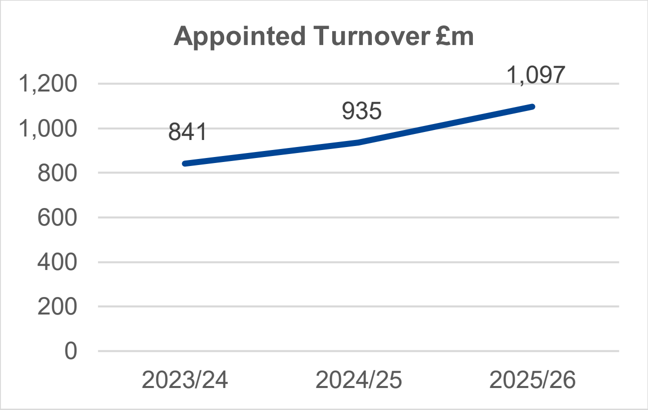
We have 116 environmental investigations and schemes within our ESW AMP8 WINEP. We completed the one scheme that was due during the 2025/26 year, to revoke our Aldeburgh abstraction licence and are making good progress on the 11 WINEP actions currently due in the 2026/27 year.

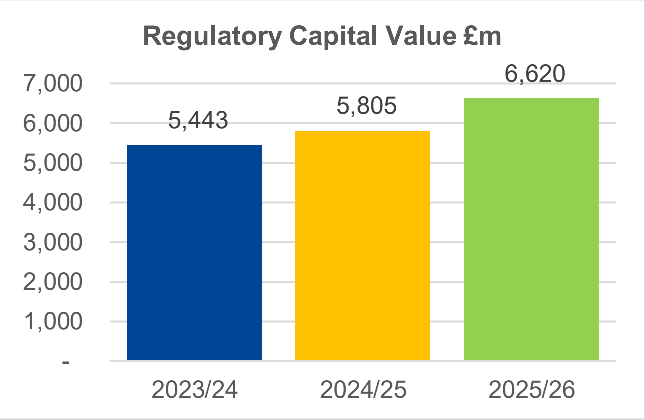
OTHER TOPICS

FINANCIAL PERFORMANCE

As required by RAG3 Section 6, we have set out the key financial metrics over the last three years in this table and the following charts.

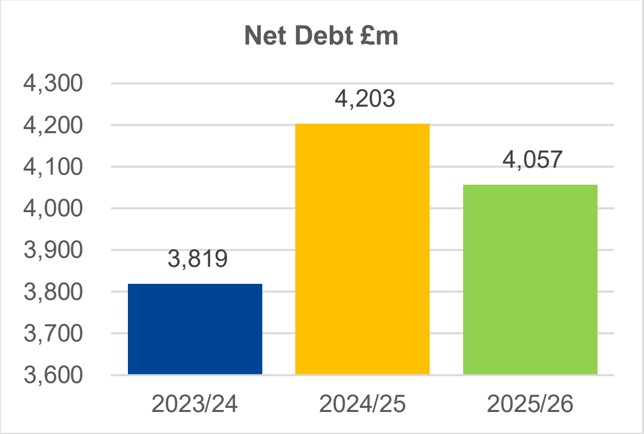
Financial performance metric over time	2023/24	2024/25	2025/26	APR Source
Turnover £m	841	935	1,097	Table 1A line 1
Regulatory Capital Value £m	5,443	5,805	6,620	Table 4H lines 1 & 2
Net Debt £m	3,819	4,203	4,057	Table 4H line 1
Regulatory Gearing %	70.17%	72.41%	61.28%	Table 4H line 5
Return on Regulatory Equity (Notional structure) %	5.65%	-2.64%	6.49%	Table 1F.19: Actual/Notional
Return on Regulatory Equity (Actual structure) %	7.78%	-3.55%	9.25%	Table 1F.19: Actual/Actual
Total dividends paid £m	65.8	40.4	46.3	Table 1A.15
Dividend Yield %	4.05%	2.52%	1.81%	Table 4H line 6

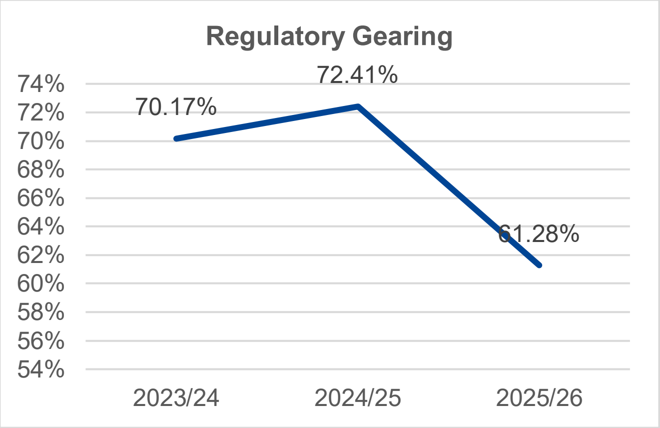




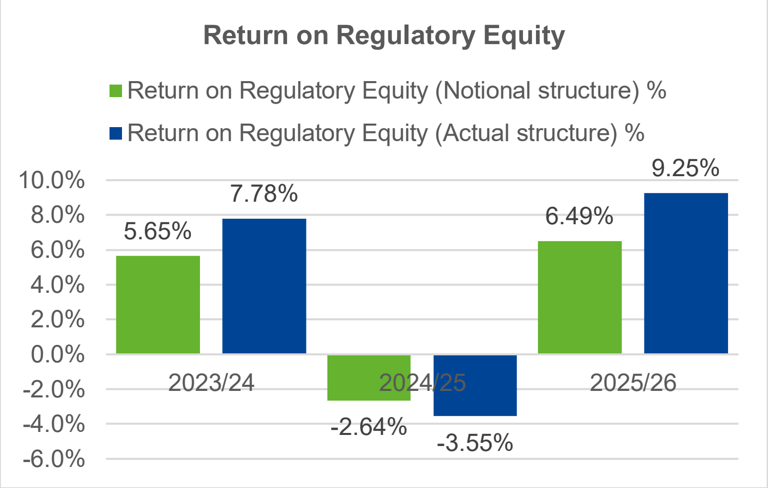
Turnover increased by 17% from 24/25 in line with increases in the FD allowed revenue. The RCV increased by 14% of which 3.45% was due to inflation, the remainder was due to the increased enhancement capital programme.

OTHER TOPICS





Net Debt reduced by £324m from 24/25 to 25/26. This is primarily due to the £400m equity injection in the year. Regulatory gearing fell by 11.1% to 61.3% primarily as a consequence of the equity injection.



Return on regulatory equity (RoRE) increased to 6.49% / 9.25% (notional/actual structure) in 25/26, with the key drivers as:

	Structure	
25/26 Return on regulatory equity	Notional	Actual
Base Return	6.08%	8.20%
Financing	1.73%	2.82%
Costs (Wholesale & Retail)	-2.08%	-2.79%
ODIs & MeXes	0.87%	1.17%
Other operational	-0.11%	-0.14%
Total RORE	**6.49%**	**9.25%**

The 6.08% base return is the aggregate of the CMA real cost of equity of 5.70% plus the retail margin and a QAA reward and is notified by Ofwat in the Financial Flows data set[13].

Financing gains were primarily related to interest costs. Some of this was due to higher inflation than the 2.4% assumed in the CMA Determination, with the remainder due to lower real interest costs than the determination. There was zero variation in tax.

Other operational includes the CMeX and DMeX rewards for 24/25 (as per Ofwat guidance), as the 25/26 values are not yet known.

NWL overspent on base totex and retail (see costs chapter). The RoRE values are calculated post cost sharing and are based on Table 4C data. We have excluded the underspend on enhancement as this is due to timing and will reverse.

[13] https://www.ofwat.gov.uk/wp-content/uploads/2026/06/Fin-flows-data-allowances-v0.4-1.xlsx

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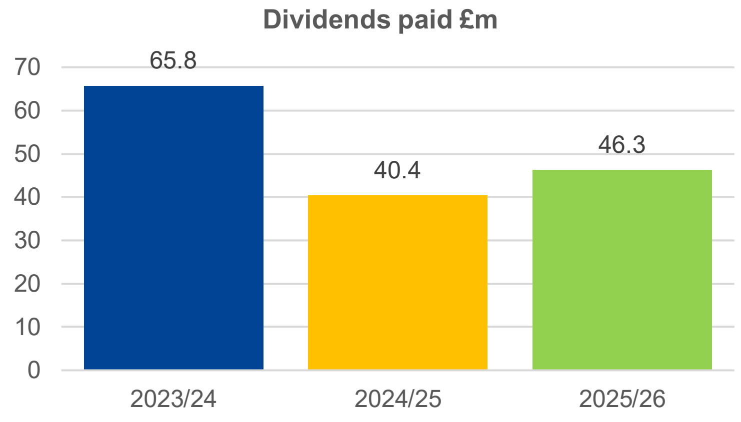

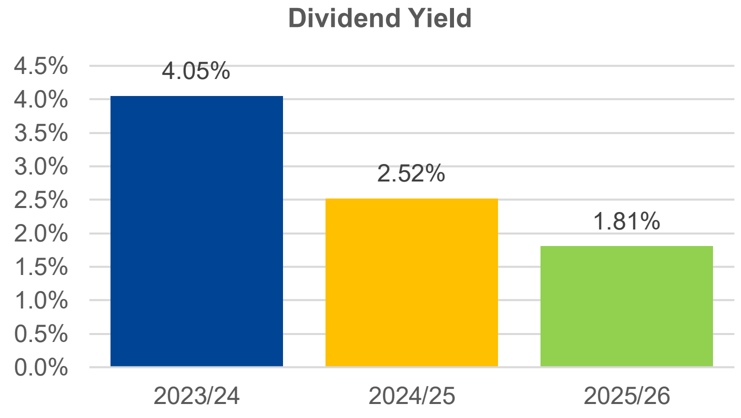

There was a £46.3m interim dividend paid in 25/26, which gave a dividend yield on actual regulatory equity of 1.81%. This is for dividends paid in the year, if we include the £56.2m dividend proposed for 25/26 performance, the dividend yield is 4%. For comparison, the equivalent RoRE on the actual structure was 9.25%.

COSTS

COMPARISONS TO THE CMA FD ALLOWANCES

The 25/26 base service opex and capex overspends to FD are due to the insufficient allowances made in the PR24 CMA base totex modelling. We made this point in our recent submission to the CMA during the PR24 redetermination:

9. On the balance of probabilities, if the CMA panel utilises the Working Paper approach in its final determination this would lead to gross overspending against allowances at a sector level and consequential impact on service performance for customers and the environment. It would further contribute to the long-term deterioration of the health of the asset base and the financeability of the sector. If we see another AMP of large base cost overspends across the sector this will reduce the credibility of the sector as an investment and drive up the cost of capital to the detriment of customers. In that scenario, the damage to the investability of the sector could easily become irreparable given the precarious state it is already in[14].

Our underspend on enhancement capex is due to timing – that is, we expect to recover by the end of AMP8 and still expect to deliver the full AMP8 enhancement programme on time. These timing delays compared to the PR24 baseline are for the following main reasons:

- Regulatory uncertainty – for example, we have seen a range of emerging regulatory requirements for storm overflows, associated investigations, and technical uncertainties linked to these. This has significantly impacted timescales in the early part of this programme, as this can mean repeating design work to accommodate new requirements. As the storm overflow programme forms by far the largest element of our enhancement programme, this has a significant effect on our expenditure profile as a whole.
- Delays in planning and land acquisition. Several of our strategic schemes carry elevated risk due to planning and land acquisition complexities – which are outside our direct control. This has been more difficult than expected in some areas, and this has meant delays to specific projects.

These factors mean that our expenditure profile for 2025-30 is likely to vary from the profile set out at PR24, with more expenditure occurring later in the period. We are nevertheless intending to deliver our enhancement programme in full. We have taken the following actions to make sure our enhancement programme remains on track for delivery:

- We have now resolved most of the outstanding or emerging regulatory requirements for our storm overflows programme, and the technical uncertainties linked to these. This means we now expect the whole programme to progress through ‘Gateway 2’ (solution definition) in the next few months, which will be ahead of schedule for some projects.
- We are ensuring that we use the most appropriate planning route available for each scheme and starting this at an early stage.
- We have worked with our partners to add more detail to our delivery schedules at an earlier stage than we would normally have done, to give more confidence about delivery schedules

14 https://assets.publishing.service.gov.uk/media/69c50e4ecdfd19de13d0f698/Northumbrian_Water_-_Response_to_Working_Paper_26.pdf

OTHER TOPICS

and identify opportunities to accelerate the programme. This has helped us to stay on track.

- We have further strengthened our Portfolio and Programmatic delivery approach, establishing a 'Major Projects' delivery route (in addition to our LWE and IDS routes).
- We have improved our scheduling tools, reporting and integration of data to give us greater visibility of our portfolio and inform improved management action. We have used our updated scheduling tools to inform our proposed delivery schedules for our Cost Change Process submissions and will use these for PR29 to support a more realistic totex profile in future.

We will provide more detail in our next delivery plan update in August 2026.

Whilst third party, developer services and pension deficit (PDRC) pending was below FD for 25/26, we expect this variance to reverse over AMP8. There is an adjustment mechanism in place to return to customers any underspend at the end of the period[15].

Retail opex including recharges is £84m, £14m (19%) higher than the FD. Retail capex is not part of the Final Determination.

2025-26, £m, outturn prices	CMA FD	Actual	Variance: over/(under)	Variance: over/(under)
CAPEX				
Water Base Capex	160	204	44	28%
Waste Base Capex	104	122	18	18%
Total Base Capex	**264**	**327**	**63**	**24%**
Water Enhancement Capex	136	49	-87	-64%
Waste Enhancement Capex	395	106	-289	-73%
Total Enhancement Capex	**531**	**155**	**-376**	**-71%**
Third party & Developer Services	94	60	-34	-36%
Total Wholesale Capex	**890**	**542**	**-348**	**-39%**
OPEX				
Water Base Opex	258	319	61	24%

[15] https://www.ofwat.gov.uk/wp-content/uploads/2025/11/PR24R28-Third-party-services-reconciliation.xlsx

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2025-26, £m, outturn prices	CMA FD	Actual	Variance: over/(under)	Variance: over/(under)
Wastewater Base Opex	142	143	1	1%
Base Opex	399	462	62	16%
Water Enhancement Opex	6	6	0	4%
Waste Enhancement Opex	4	5	1	35%
Third party & Dev Services & PDRC	29	13	-15	-54%
Wholesale Opex	438	487	48	11%
Retail Opex	70	83	12	18%
Total Opex	**508**	**569**	**61**	**12%**
TOTEX				
Water Base totex	418	523	105	25%
Wastewater Base totex	246	265	20	8%
Total Base totex	**664**	**789**	**125**	**19%**
Retail Opex	70	83	12	18%
Base totex including retail	**734**	**871**	**137**	**19%**
Water Enhancement totex	142	55	-86	-61%
Waste Enhancement totex	399	111	-288	-72%
Total Enhancement totex	**541**	**167**	**-374**	**-69%**
Third party & Dev Services & PDRC	123	73	-50	-40%

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2025-26, £m, outturn prices	CMA FD	Actual	Variance: over/(under)	Variance: over/(under)
All Totex	**1,398**	**1,111**	**-287**	**-21%**

Note: All totex data is consistent with Table 4C

WASTEWATER UNDERTAKING

In June 2025, we entered into in an undertaking agreement with Ofwat to bring its Wastewater Compliance Investigation to a close. The undertaking requires us to:

- Make a series of additional investments related to the environment, by way of redress for customers and to be fully funded by NWL – not through customer bills.
- Produce and deliver a set of 3 action plans, focused on reviewing (and where necessary improving) our approach to managing key aspects of environmental compliance.

We are on track with delivering this undertaking and a more in depth update can be found on our website here: Environmental Permit Compliance.

All investment costs associated with the undertaking are accounted for as ‘disallowed costs’ to ensure they are wholly funded by NWL, as opposed to through customer bills.

DIRECTORS' RESPONSIBILITIES AND DECLARATIONS FOR THE YEAR ENDED 31 MARCH 2026

CONDITION F – REGULATORY ACCOUNTING STATEMENT

The Directors are responsible under Condition F of the Instrument of Appointment granted by the Secretary of State for the Environment to the Company as a water and sewerage undertaker under the Water Industry Act 1991 for:

- ensuring that appropriate accounting records are maintained by the Appointee which are consistent with the Regulatory Accounting Guidelines published by Ofwat;
- preparing a set of regulatory accounting statements each financial year in accordance with the Regulatory Accounting Guidelines; and
- complying with all other requirements set out in the Regulatory Accounting Guidelines.

RISK AND COMPLIANCE STATEMENT

The Board confirms that:

- it considers the Company has full understanding of, and is meeting, all its relevant statutory, licence and regulatory obligations and has taken steps to understand and meet customer expectations;
- it has satisfied itself that the Company has sufficient processes and internal systems of control to fully meet its obligations;
- the Company has appropriate systems and processes in place to allow it to identify, manage, mitigate and review its risks; and
- the Company has continued to enhance its Compliance Framework and reporting processes, delivering improved organisational visibility and assurance.

Ongoing compliance with our obligations in future will be dependent in particular on:

- continued strengthening of our internal assurance and compliance monitoring processes, including enhanced control-level documentation and digital reporting improvements;
- successfully securing adequate and sustainable funding for capital maintenance to maintain asset health in the medium and longer term;
- securing sufficient investment in climate adaptation, to protect services from deteriorating climate trends and increased prevalence of extreme weather events;
- deliverability and financeability of the AMP8 programme. Given the substantial uplift in investment requirements, this continues to be a key dependency;
- a stable and clear regulatory environment, including consistency in the interpretation of statutory and licence obligations. This dependency applies across both economic and quality regulators;
- clarity arising from wider policy developments, including the Water White Paper, which will influence future compliance expectations and the extent to which obligations can be met within approved funding envelopes; and
- the funding environment and the Company's ability to deliver its agreed programme. Following the CMA Redetermination in March 2026, the uncertainty associated with Ofwat's PR24 Final Determination has been resolved. Management has reassessed the funding environment and confirmed that the positions presented in the 2024/25 Annual Performance Report, including the viability statement, Condition P statement and Ring-Fencing Certificate, continue to be appropriate. This assessment takes account of the £400m equity injection received from shareholders.

This combination of factors represents areas of heightened compliance exposure rather than confirmed non-compliance. The Board therefore recognises the importance of these external dependencies and will continue to apply enhanced assurance and oversight in response.

Fitness and Propriety Rule

For the 2025/26 reporting year we confirm that we have established the processes, systems and governance arrangements necessary to meet the requirements of Ofwat's Fitness and Propriety Rule, which comes into force for new senior role appointments from 1 April 2026.

In line with Ofwat's expectations, the Company has implemented governance structures and internal controls designed to ensure that individuals appointed to senior roles can be assessed against the Rule's three core standards: honesty and integrity, knowledge and experience, and financial soundness.

Our arrangements include:

- recruitment and nomination processes capable of supporting fit and proper assessments for all new senior appointments, including procedures for ensuring that any third party recruitment providers supply and verify the required information;
- monitoring procedures to identify any changes in the circumstances of existing senior role holders that may affect their ongoing fitness and propriety;
- annual and event driven reassessment mechanisms to support continuing compliance as required under the Rule; and
- reporting and escalation processes to ensure timely provision of information to Ofwat, including the notification of assessment outcomes and any issues relating to compliance.

The Company considers that these arrangements provide a robust framework to support compliance with the Fitness and Propriety Rule. We will continue to refine and strengthen these processes in advance of the requirement to assess both new and existing senior role holders during 2026/27.

DIRECTORS' RESPONSIBILITIES AND DECLARATIONS FOR THE YEAR ENDED 31 MARCH 2026

Departures

As stated above, the Board has concluded that it has a full understanding of the Company's statutory, licence and regulatory obligations and confirms that these have been materially met.

Notwithstanding this conclusion, the Board considers it appropriate, in the interests of transparency, to disclose a defined set of departures. The Company is subject to a wide and complex set of obligations, and the departures set out below represent a limited subset of those obligations, reflecting a generally strong level of compliance overall. The Board also recognises that compliance assessment is not always binary, particularly where obligations are outcome based, and so assessments of compliance require judgement.

To support transparency and continuous improvement, departures identified through the Company's strengthened monitoring and incident reporting processes are set out in the table below. These disclosures sit alongside established regulatory reporting and engagement mechanisms, through which compliance matters are reported directly to regulators as appropriate, and reflect those matters assessed as suitable for governance level disclosure within the APR.

Legislation	Section	Duty	Detail of departure
Water Industry Act 1991	199	Sewer maps	In common with other wastewater companies in England and Wales not all sewers are mapped, in particular those that were transferred assets from local authorities. Records are updated regularly to reflect any changes identified in sewer locations or attributes but the cost of full surveys of all sewer assets is generally deemed to be uneconomic.
Urban Wastewater Treatment (England & Wales) Regulations 1994 & Water Industry Act 1991	UWWTR Regulation 4 WIA Section 94	Duty to provide and maintain collecting systems and treatment plants General duty to provide sewerage system	There were a limited number of sample failures in the year resulting in three failed works. Six treatment works failed the discharge permit conditions for flow to full treatment in the year. Five treatment works failed the discharge permit conditions for dry weather flow in the year. All of the above have all been reported to the Environment Agency. A response was provided to the EA in February 2026 following a Regulation 61 information request on Emergency Overflows acting as Storm Overflows. Further feedback from the EA is awaited. Under UWWTR Reg4, sewerage collecting systems must be designed, constructed, operated, and maintained in accordance with "best technical knowledge not entailing excessive costs" (BTKNEEC), including measures to limit pollution from storm water overflows. Current Government and Environment Agency guidance is clear that compliance with UWWTR Reg 4 is not assessed on spill frequency or duration alone, but instead through a site-specific technical, environmental and cost-benefit assessment, undertaken using the Storm Overflow Assessment Framework (SOAF). Until the SOAF investigation process is completed, it is not possible to reach a definitive conclusion on UWWTD/UWWTR compliance for an individual Storm Overflow. The Environment Agency amended SOAF to version 2 in March 2025. Using this updated SOAF guidance and the latest spill frequency triggers, approx. two thirds of the NWL storm overflows will require a SOAF assessment before the end of the current Asset Management Period, i.e. by the end of March 2030.

DIRECTORS' RESPONSIBILITIES AND DECLARATIONS FOR THE YEAR ENDED 31 MARCH 2026

Legislation	Section	Duty	Detail of departure
			A plan to complete the SOAF assessments for all of the NWL assets requiring them has been submitted to the Environment Agency. In discussions with other water companies, there is significant concern around having sufficient resource available in the supply chain to complete all of the required assessments before the end of the AMP. Following engagement with Ofwat, the Company has agreed an undertaking under section 19 of the Water Industry Act, which sets out an agreed action plan to maintain compliance in these areas.
Reservoirs Act 1975	Section 11	Recording of water levels etc.	A limited number of reservoirs did not consistently meet the full frequency of level monitoring and inspections expected, reflecting resource capacity constraints and legacy instrumentation arrangements. These matters have been identified through formal inspections and are being managed through approved actions, including additional inspection resources and targeted capital investment to upgrade instrumentation.
The Environmental Permitting (England and Wales) Regulations 2016	Regulation 12	Requirement for an environmental permit	The Company maintains a high level of compliance with environmental permitting, with improvements underway through the development of a central permit database. In 2025, 88% of Environment Agency Compliance Assessment Visits identified no breaches, and of the 115 breaches recorded, only one was assessed as having potential significant impact. Where existing permits do not fully reflect current discharges, the Company is working with the Environment Agency to update permits accordingly.
Water Industry Act 1991	Section 208	Directions in the interest of national security	The Company reports SEMD compliance annually to government through the DWI reporting process. Current reporting indicates non-compliance for elements of the Critical National Infrastructure (CNI) asset base, reflecting changes to government CNI assessment criteria. This position has been communicated to the DWI, with enhancement cases, funding and delivery plans in place to achieve compliance by the end of AMP8 (2030), and progress reported annually under a section 19 undertaking. Partial compliance is reported for elements of personnel and physical security, with action plans in place and delivery underway. Emergency management requirements under SEMD are reported as fully compliant.

DISCLOSURE OF INFORMATION TO AUDITORS

So far as each current Director is aware, there is no relevant audit information of which the Company'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 Company's auditor is aware of that information.

CONDITION G (PRINCIPLES FOR CUSTOMER CARE)

Condition G requires the Company to adopt high standards of customer service, appropriate support for the full diversity of our customers' needs and to deliver the principles for customer care set out in the Licence.

Our core strategies which deliver this are:

- Our Unrivalled Customer Experience Strategy outlines our ambition and approach to customer service, including detailing how we provide multiple communication channels for customers: Unrivalled Customer Experience Strategy
- 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: Inclusivity Strategy

Our approach to providing excellent customer care is reflected in our first place position for C-MeX for 2024/25 and 2025/26.

DIRECTORS' RESPONSIBILITIES AND DECLARATIONS FOR THE YEAR ENDED 31 MARCH 2026

CONDITION P (RING-FENCING CERTIFICATE)

As required by Condition P of our Licence, the Board has provided this ring-fencing certificate to Ofwat in accordance with the requirements and expectations set out in Information Notice IN 20/01.

The Directors certify that, in their opinion:

- the Appointee will have available to it sufficient financial resources and facilities to enable it to carry out, for at least the next 12 months, its Regulated Activities (including the investment programme necessary to fulfil the Appointee's obligations under the Appointment);
- the Appointee will, for at least the next 12 months, have available to it management resources and systems of planning and internal control which are sufficient to enable it to carry out its Regulated Activities;
- the Appointee has available to it sufficient rights and resources, other than financial resources, to enable a special administrator to manage the affairs, business and property of the Appointee, should a special administration order be made; and
- all contracts entered into with any Associated Company include all necessary provisions and requirements concerning the standard of service to be supplied to the Appointee, to ensure that it is able to meet all its obligations as a water and sewerage undertaker.

In providing this certificate, the Directors have considered the following main factors:

Financial resources and facilities

- the financial strength of the Company at the balance sheet date and financial performance, which is in line with expectations and reviewed at each Board meeting, most recently in April 2026;
- the fact both Moody's (in April 2026) and Fitch (in June 2026) have stabilised their outlooks on NWL and affirmed their credit ratings of the appointee at Baa1 and BBB+ respectively;
- the key financial ratios over the next 12 month planning horizon, as reflected in investment grade credit ratings;
- shareholder support demonstrated through a £400m equity injection on 31 March 2026;
- the substantial amount of cash & equivalents still available to NWL as at the end of March 2026, being £380.6m;
- the fact that the Company has in place £600m of committed bank facilities as back up liquidity, maturing in April 2028 with options to extend to April 2030;
- The $500m in uncommitted Private Placement Shelf Facilities the Group entered into in June 2026
- the £6bn EMTN programme, which the Group is in the process of renewing, of which £1.6bn has been utilised to date, and the near-term Financing Plan, approved by the Board in April 2026, which will enable the Group to raise sufficient debt financing to meet its needs for at least the current financial year; and
- the Directors assessment that the Company should be able to manage its business risks, continue to operate and meet its liabilities as they fall due over the 9 years to March 2035, reported in the viability statement.

Management resources

- the balance and effective operation of the Board, on which Independent Non-executive Directors (INEDs) are the largest group, as described in the Corporate Governance report in our Annual Report and Financial Statements;
- the work of the Nomination Committee for the appointment of senior positions;
- the experience and broad-ranging skills and experience of the INEDs and Executive Leadership Team;
- the engagement of staff, demonstrated by the 90% response rate and 81% Trust Index score for our annual Great Place to Work survey, and award of Great Place to Work Certified Employer Status again;
- the further development and embedding of our Inclusion and Diversity Strategy called TIDE (Together for Inclusion, Diversity and Equity).

Systems of planning and internal control

- the Company's formal governance and risk management arrangements which are monitored by the Audit Committee, Risk & Compliance Sub-committee and Board.
- the work of the Board and its Committees to monitor the risk and control systems throughout the year, including conducting a robust assessment of principal risks and an annual review of the effectiveness of the Company's risk management and internal control systems, oversight of the work carried out by external auditor, internal audit and other assurance providers, and monitoring compliance with procedures to prevent bribery and receiving reports on any whistleblowing allegations;
- the monitoring and review throughout the year of the principal risks and uncertainties facing the business by the Risk & Compliance Sub-committee;
- the Company's robust business continuity arrangements.

Rights and resources other than financial resources

- the Company's business model comprising its Purpose, Vision, Strategic Themes, Values and Reputation and our work to deliver these, are set out in Our Sustainability Report;
- the robust IT infrastructure and investment in recent years in major technology transformation programmes for billing and customer contact and asset management and field working;
- our asset management governance structure, certified under ISO 55001 and the development of our service planning framework.

Contracting

- the approval by the Board of all significant contracts, including framework contracts with strategic supply chain partners in our Living Water Enterprise model and wider ecosystem of partners to support shorter cycle and lower complexity work, to deliver the challenges of the AMP8 capital investment programme; and

DIRECTORS' RESPONSIBILITIES AND DECLARATIONS FOR THE YEAR ENDED 31 MARCH 2026

- disclosure of all transactions with associated companies, of which no new arrangements were entered into during the year.

Material issues or circumstances.

The Directors considered all material circumstances, including in its approval of the going concern statement and viability statement. No other material issues or circumstances were identified.

Deloitte LLP have carried out assurance on the ring-fencing certificate, in accordance with the Company's Instrument of Appointment. The assurance was in the form of agreed upon procedures and the assurance report has been submitted separately to Ofwat.

This certificate was approved by the Board on 15 July 2026.

CONDITION P26 (CREDIT RATING)

The Directors confirm that throughout 2025/26 the Appointee has ensured that it, and an Associated Company as issuer of debt on its behalf, has maintained an issuer credit rating which is an investment grade rating.

CONDITION P1-3 COMPLIANCE

As described in the Governance Report within the Annual Report & Financial Statements, the Group does not fully comply with all aspects of the relevant guidelines. In particular, the Chair is not considered independent of investors, and the Nomination Committee and Remuneration Committee are not chaired by an Independent Director.

DIRECTORS' RESPONSIBILITIES AND DECLARATIONS FOR THE YEAR ENDED 31 MARCH 2026

VIABILITY STATEMENT

The Directors' full assessment of financial viability can be found in the Northumbrian Water Limited Annual Report and Financial Statements 2025/26.

The Directors have assessed the viability of the Company over a nine year period to March 2035, taking into account the Company's current position and principal risks. Based on that assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2035.

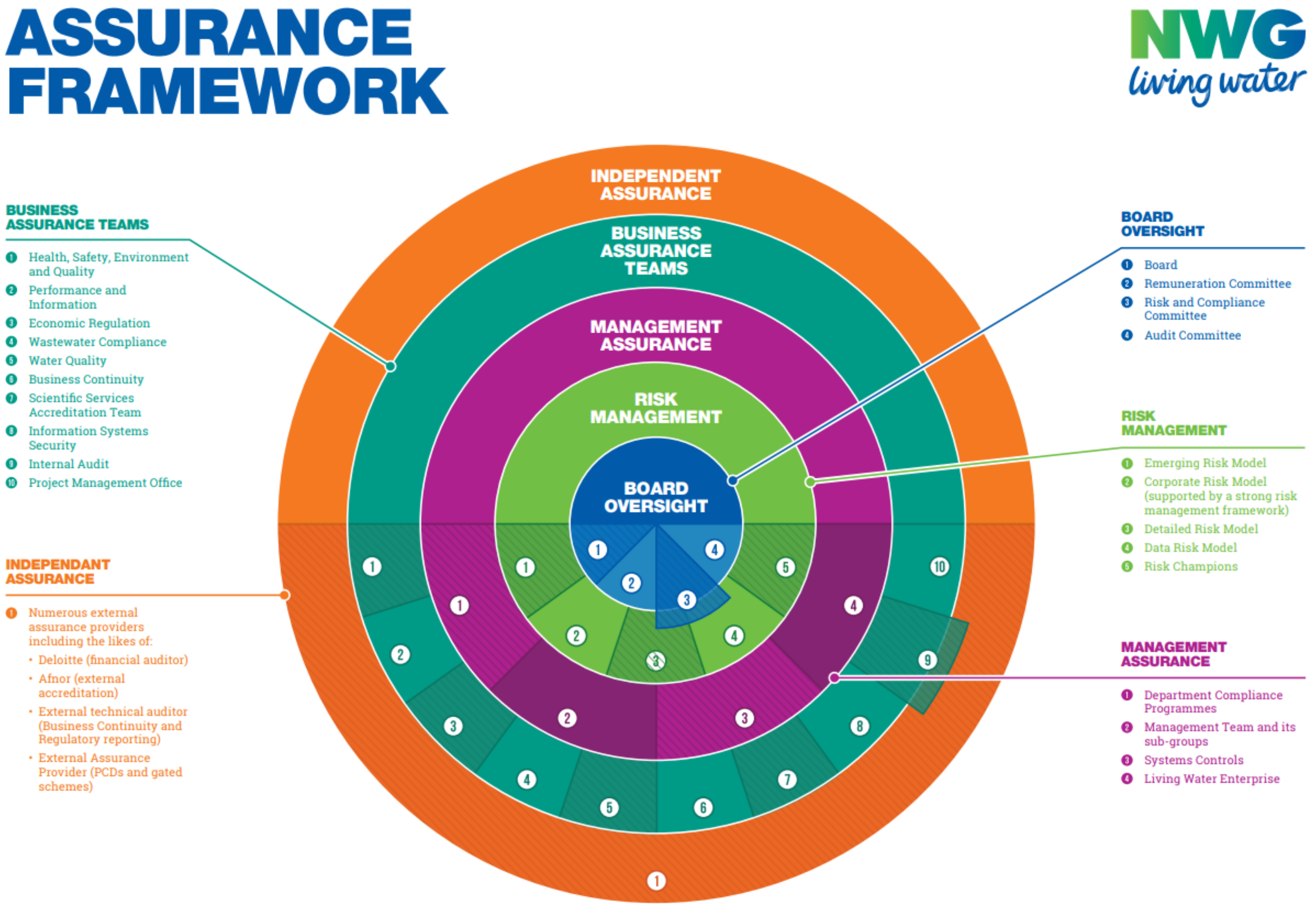
BOARD STATEMENT ON ACCURACY AND COMPLETENESS OF DATA AND INFORMATION

In the opinion of the Board, based on the governance and assurance arrangements in place, the data and information contained in this Annual Performance Report and provided to Ofwat during the year is complete and has a high degree of accuracy. Our Data Assurance Statement provides a detailed review of the assurance work carried out in the year and the findings of our assurance providers, upon which this opinion is based.

Governance Arrangements & Assurance Framework

The Board is committed to providing regulatory data and information that is accurate, clear and transparent in order to maintain the trust of our customers and stakeholders. The Board takes ownership of the arrangements for governance and assurance of regulatory submissions and reporting. This is monitored and controlled through the Board's Audit Committee and Risk & Compliance Sub-committee, which report regularly to the Board.

The Board has put in place a comprehensive assurance framework, shown in the diagram below. This has Board oversight at its core, supported by a risk management framework and multiple layers of internal and external assurance.



DIRECTORS' RESPONSIBILITIES AND DECLARATIONS FOR THE YEAR ENDED 31 MARCH 2026

The Risk & Compliance Sub-committee, on behalf of the Board, carried out its annual review of the effectiveness of the Company's risk management and internal control systems. This review confirmed that the Company 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.

Activities in the Year

We provide stakeholders with an annual Data Assurance Statement which details our approach to assurance and the assurance arrangements we have in place. This reports also details any material findings and includes full copies of the audit opinions received from external providers.

The Board, through the work of its Audit Committee, has continued to improve regulatory data through the year. This plan was designed to address areas of risk identified in reports from our assurance providers for the 2023/24 APR, as well as areas where the source of data has changed during the year and where there are new reporting requirements. This included:

- In the year NWL engaged a third-party to perform calibration testing on multiple meters at water treatment works. NWL aims to calibrate the larger sites this year and complete calibration of all sites by the end of next year. In total, 13 sites were calibrated in the North, and 4 sites were calibrated in the South, with these 17 sites representing 19 meters. These meters had not previously been regularly calibrated.
- All calibration results for these sites have been incorporated into the final DI calculation improving data accuracy the fact that meters had not been regularly calibrated had been highlighted as an issue in 2024/25.

As part of the approval process for this APR, the Audit Committee received assurance reports from the Internal Audit manager, the external technical assurer, PricewaterhouseCoopers LLP, and the financial auditor, Deloitte LLP.

Greenhouse gases require specific third-party assurance from an appropriately qualified company to the ISO standard 14064. Their assurance has been completed and their opinion is included in the Data Assurance Statement.

These all confirm there were no significant issues to report.

Conclusion

The Board is satisfied that the governance and assurance arrangements it has put in place are comprehensive and robust and have operated effectively throughout the year. On this basis, the Board is confident that the data reported has a high degree of accuracy. However, no assurance process can give an absolute guarantee of total accuracy, especially given the extremely large volume of data in the APR and the fact that some of the reported information is dependent on expert judgement and assumptions, for example accounting separation data.

Andrew J Hunter
Chairman

Heidi Mottram
CEO

Alan Bryce
Senior Independent Non-Executive Director

Dominic Chan
Non-Executive Director

H L Kam
Non-Executive Director

Duncan Macrae
Non-Executive Director

Jacquie McGlade
Independent Non-Executive Director

Keith Harris
Non-Executive Director

Richard Sexton
Independent Non-Executive Director

Peter Vicary-Smith
Independent Non-Executive Director

15 July 2026

REGULATORY ACCOUNTING POLICIES AND DISCLOSURES FOR THE YEAR ENDED 31 MARCH 2026

1. Regulatory Accounts - Basis of Accounting

The Regulatory Accounting Statements, from page 61 of the APR, have been prepared in accordance with the Regulatory Accounting Guidelines (RAGs) issued by Ofwat. They have been prepared on a consistent basis to the Company's Consolidated Financial Statements, with the following exceptions:

- income relating to energy generation and meter reading, which is recorded as revenue in the statutory accounts, has been recorded as negative operating expenditure;
- rental income and amortisation of deferred capital income, which are recorded as revenue in the statutory accounts, have been recorded as other income below operating profit;
- profit on disposal of fixed assets, which is recorded as operating costs in the statutory accounts, has been recorded as other operating income;
- borrowing costs that are directly attributable to the acquisition or construction of an asset, which are capitalised in the statutory accounts, are charged to the income statement; and
- The net innovation fund receipt has been accrued in operating costs in the Statutory accounts but removed from the Regulatory accounts, in accordance with Ofwat guidance.

The information reported in the Regulatory Accounting Statements relates to NWL's Appointed business only, except where stated. The Appointed business comprises Regulated Activities, defined in Condition A of the Licence to be 'functions of' and the 'duties imposed on' a water and sewerage undertaker by the Water Industry Act 1991. Such duties are consequently those necessary for the Company to fulfil its duty as a water and sewerage undertaker.

NWL's Statutory Accounts have been produced on a consolidated basis for the year ended 31 March 2026, including subsidiaries related to an Asset Backed Funding arrangement in respect of the defined benefit pension scheme (see table 4W) and the Kielder securitisation financing arrangement. The ABF entities and the financing subsidiary, Northumbrian Finance plc, relate to the Appointed business. The subsidiaries related to the Kielder securitisation relate to the Non-Appointed business. The structure is explained in more detail in the NWL Annual Report and Financial Statements for the year ended 31 March 2026 published on our website.

The accounts have been prepared on a going concern basis which assumes that the Company will have adequate funding to meet its liabilities as they fall due in the foreseeable future.

2. Revenue recognition

The revenue recognition policy is the same in the regulatory and statutory accounts, other than the exceptions related to income from energy generation, meter reading, rental income and deferred capital income, as explained above.

RAG 1.10 requires companies to recognise all revenue billed to properties which receive a service, other than if confirmed as void, and to assume that it is probable that this will be collected, disapplying IFRS 15 in this respect. NWL complies with this requirement.

Revenue from water and sewerage charges billed to customers is recognised pro-rata over the period to which it related. For consumption by measured customers which has not yet been billed, revenue is estimated and accrued using a defined methodology based upon historical usage and the relevant tariff per customer. Invoices raised or payments received where the service has not been provided are not recognised in revenue in the year but are treated as receipts in advance.

Additional charges added to a customer's account as a result of debt recovery activity, such as court costs or solicitors' fees, are recognised as negative operating costs when payment is received in both the statutory and regulatory accounts. They are not recognised in revenue.

Charges for water and sewerage services remain due in full whilst a property contains furnishings and fittings or when a property is unfurnished and water is being used for any purpose including refurbishment. If the Company has turned off the supply of water at the mains to a property at a customer's request, then water supply charges are not payable.

If the supply of water is turned off and the property is unfurnished the property is considered unoccupied and charges are not payable. If, however, the supply of water is turned off and the property remains furnished it is considered ready for occupation and in this case sewerage charges in respect of the drainage of surface water and contribution to highway drainage continue to be payable.

If a property is recorded as empty in the billing system an empty property process is followed. The purpose of this process is to verify whether the property is occupied or not and, if occupied, to identify the chargeable person and raise a bill. No bills are raised in the name of 'the occupier'.

The empty property process comprises a number of steps including an initial letter asking the occupier to either contact the Company or return a completed registration form, a check of the property record against Land Registry information, signs of an active credit reference file at the property and visits to the property by Company representatives. If these steps confirm that a property appears to be empty, then the supply may be turned off.

New properties are charged from the date a meter is installed, if consumption is being recorded on the meter. If the property is unoccupied but water is being registered, the developer will be charged. Once the developer is no longer responsible for a property, if no new occupier has been identified the property will be treated as unoccupied and the empty property process followed, as outlined above.

A retrospective review has confirmed that the measured household income accrual at 31 March 2025 of £81.0m was slightly higher than the amounts subsequently billed to customers of £79.4m, reflecting bill cancellations for properties subsequently identified to be empty and leakage allowances. An appropriate adjustment has been made as 31 March 2026 in respect of this matter.

REGULATORY ACCOUNTING POLICIES AND DISCLOSURES FOR THE YEAR ENDED 31 MARCH 2026

3. Bad debt policy

The policy for bad and doubtful debts is applied consistently between the statutory and regulatory accounts.

a. Bad debt write offs

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 and where debt may be written off are as follows:

- where the customer has absconded without paying and strategies to trace their whereabouts and collect outstanding monies have been fully exhausted;
- where the customer has died without leaving an estate or has left an insufficient estate on which to levy execution;
- where the customer does not have any assets or has insufficient assets on which to levy execution;
- where the value of the debt makes it uneconomic to pursue;
- where county court proceedings and attempts to recover the debt by debt collection agencies have proved unsuccessful; and
- where the customer has been declared bankrupt, is in liquidation or is subject to insolvency proceedings or a debt relief order and no dividend has been or is likely to be received.

For debt to be written off there must be a legitimate charge against the debtor. If it is considered that part or all of the debt is incorrect or unsubstantiated, then such elements are dealt with through the issue of a credit note.

b. Bad debt provisioning

The Company's detailed bad and doubtful debts provision policy has remained unchanged during the year and has been consistently applied in the current and prior periods. The bad debt provision is charged to operating costs to reflect the Company's assessment of the risk of non recoverability of debtors. It is calculated by applying expected recovery rates to debts outstanding at the end of the accounting period. These recovery rates take into account the age of the debt, payment history and type of debt.

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. Actual amounts recovered may differ from the estimated levels of recovery which could impact on operating results. A comparison of the provision against historical collection rates is carried out at the end of each year to validate and, if necessary, adjust the level of provision.

The provision has increased from £91.7m at 31 March 2025 to £98.4m at 31 March 2026, reflecting the assessment of recoverability of debt.

4. Capitalisation policy

The policy for the capitalisation of costs as items of property, plant and equipment and intangible assets is applied consistently between the statutory and regulatory accounts, in accordance with IAS16 Property, Plant and Equipment and IAS38 Intangible Assets.

The application of this policy is summarised below. Further detail is provided in the accounting separation methodology statement published on our websites.

The cost of construction or purchase of new or replacement infrastructure and non-infrastructure assets is capitalised. Cost includes any costs directly attributable to bringing the asset into condition for use in the business, including directly attributable overhead costs but excluding general overhead costs. The costs of infrastructure and non-infrastructure assets are depreciated over their useful economic lives.

On the infrastructure network, capital replacement of assets includes any renewal of a full pipe length of main or sewer and replacement of ancillaries such as stop taps, valves, meter chambers and manhole covers.

Subsequent maintenance expenditure is treated as an operating cost unless it provides an enhancement of economic benefits in excess of the expected standard of performance such as an extension in the estimated useful life or an increase in capacity, in which case it is capitalised. Examples of maintenance costs charged as operating costs include pipe and tank cleaning, inspections, surveys and zonal studies.

5. Accounting separation policy

Cost allocations have been prepared in accordance with RAG 2.10, and RAG 4.14 for the definitions for the regulatory accounting tables. All costs are recorded in the accounting records by cost centre. Cost centres are defined either as a direct department, comprising operational and customer functions, or a support department. Direct departments are mostly directly allocated to service activities based on the nature of the function, although some costs require apportionment on an appropriate basis. Support departments are apportioned across the price controls either based upon a specific analysis of the costs or by apportionment by an appropriate cost driver. Once allocated to the appropriate price control the costs are then allocated to service activities pro-rata to full time equivalent staff numbers of the direct departments.

Fixed assets directly involved in the activities within each business unit are recorded against that business unit using direct allocation per the location or asset type. Where an asset is utilised in more than one business unit, the asset is allocated to the business unit of principal use and costs are recharged to other different business units on the same basis used to allocate operating expenditure.

Further detail is provided in the accounting separation methodology statement published on our website.

REGULATORY ACCOUNTING POLICIES AND DISCLOSURES FOR THE YEAR ENDED 31 MARCH 2026

6. Statement of Directors' remuneration and standards of performance

Directors' remuneration is fully disclosed in the NWL Annual Report and Financial Statements for the year ended 31 March 2026, in the Remuneration Committee Report on page 93 of the Annual Report This is published on our website. To avoid duplication, this information has not been replicated within the APR.

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.

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REGULATORY ACCOUNTING POLICIES AND DISCLOSURES FOR THE YEAR ENDED 31 MARCH 2026

1A INCOME STATEMENT

FINANCIAL PERFORMANCE FOR THE 12 MONTHS ENDED 31 MARCH 2026

		Adjustments			
	Statutory £'m	Differences between statutory and RAG definitions £'m	Non-appointed £'m	Total adjustments £'m	Total appointed activities £'m
Revenue	1,182.0	(29.0)	(56.3)	(85.3)	1,096.7
Operating costs	(798.7)	22.9	36.0	58.9	(739.8)
Other operating income	-	0.4	0.1	0.5	0.5
Operating profit	383.3	(5.7)	(20.2)	(25.9)	357.4
Other income	-	11.9	(1.5)	10.4	10.4
Interest income	4.1	0.1	(0.7)	(0.6)	3.5
Interest expense	(199.8)	(25.7)	13.8	(11.9)	(211.7)
Other interest expense	(1.4)	-	(0.1)	(0.1)	(1.5)
Profit before tax and fair value movements	186.2	(19.4)	(8.7)	(28.1)	158.1
Fair value gains/(losses) on financial instruments	(12.7)	-	(0.3)	(0.3)	(13.0)
Profit before tax	173.5	(19.4)	(9.0)	(28.4)	145.1
UK Corporation tax	(4.4)	-	2.5	2.5	(1.9)
Deferred tax	(40.7)	4.9	-	4.9	(35.8)

		Adjustments			
	Statutory £'m	Differences between statutory and RAG definitions £'m	Non-appointed £'m	Total adjustments £'m	Total appointed activities £'m
Profit for the year	128.4	(14.5)	(6.5)	(21.0)	107.4
Dividends	(46.3)	-	-	-	(46.3)
Tax analysis					
Current year	4.1	-	(2.5)	(2.5)	1.6
Adjustments in respect of prior years	0.3	-	-	-	0.3
UK Corporation tax	4.4	-	(2.5)	(2.5)	1.9
Analysis of non-appointed revenue					
Imported sludge	0.1				
Tankered waste	4.8				
Other non-appointed revenue	51.4				
Revenue	56.3				

REGULATORY ACCOUNTING POLICIES AND DISCLOSURES FOR THE YEAR ENDED 31 MARCH 2026

Differences between Statutory and Regulatory Definitions

Differences between statutory and RAG definitions are explained in note (a) of the Regulatory Accounting Policies and Disclosures.

The differences which result in a change to profit for the year reflect the following accounting treatments:

- capitalisation of borrowing costs, which are capitalised in the Statutory Financial Statements but charged to the Income Statement in the Regulatory Accounting Statements, along with the associated depreciation and deferred tax; and
- Innovation Fund costs, which are provided in the Statutory Financial Statements but removed from the Regulatory Accounting Statements, along with the associated tax.

Other changes are presentational in nature:

- income relating to energy generation and meter reading has been reclassified from revenue in the statutory accounts to negative operating costs;
- rental income, amortisation of deferred income and other contributions to capital investment have been reclassified from revenue in the statutory accounts to other income; and
- profit on disposal of fixed assets has been reclassified from operating costs in the statutory accounts to other operating income.

As explained in Note (a) of the Regulatory Accounting Policies and Disclosures, the NWL Statutory Accounts have been produced on a consolidated basis for the year ended 31 March 2026. The Non-appointed adjustments include the entities related to the Kielder securitisation. This applies to tables 1A to 1D.

Interest Analysis

Interest expense comprises:

	£'m
Bank loans and overdraft	(10.5)
Loans from financing subsidiary	(143.3)
Amortisation of issuance costs	(3.8)
Accretion on index-linked debt	(49.9)
Obligations under leases	(4.2)
Interest expense	(211.7)

NWL has a financing subsidiary, Northumbrian Water Finance Limited, which raises listed debt on its behalf. The debt is then loaned to NWL at the same terms.

Other interest expenses represents interest cost on pension plan obligations.

All tables include roundings.

REGULATORY ACCOUNTING POLICIES AND DISCLOSURES FOR THE YEAR ENDED 31 MARCH 2026

1B STATEMENT OF COMPREHENSIVE INCOME

FINANCIAL PERFORMANCE FOR THE 12 MONTHS ENDED 31 MARCH 2026

		Adjustments			
	Statutory £'m	Differences between statutory and RAG definitions £'m	Non-appointed £'m	Total adjustments £'m	Total appointed activities £'m
Profit for the year	128.4	(14.5)	(6.5)	(21.0)	107.4
Actuarial gains/(losses) on post employment plans	1.5	-	-	-	1.5
Other comprehensive income	2.0	-	-	-	2.0
Total Comprehensive income for the year	131.9	(14.5)	(6.5)	(21.0)	110.9

REGULATORY ACCOUNTING POLICIES AND DISCLOSURES FOR THE YEAR ENDED 31 MARCH 2026

1C STATEMENT OF FINANCIAL POSITION

FINANCIAL PERFORMANCE FOR THE 12 MONTHS ENDED 31 MARCH 2026 (REGISTERED NUMBER 02366703)

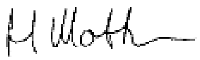
		Adjustments			
	Statutory £'m	Differences between statutory and RAG definitions £'m	Non-appointed £'m	Total adjustments £'m	Total appointed activities £'m
Non-current assets					
Fixed assets	6,175.9	(121.4)	(100.9)	(222.3)	5,953.6
Intangible assets	57.6	(4.3)	(0.2)	(4.5)	53.1
Investments - loans to group companies	-	-	-	-	-
Investments - other	11.7	-	(11.7)	(11.7)	-
Total non-current assets	6,245.2	(125.7)	(112.8)	(238.5)	6,006.7
Current assets					
Inventories	15.5	-	(0.4)	(0.4)	15.1
Trade & other receivables	316.2	-	(4.8)	(4.8)	311.4
Cash & cash equivalents	409.5	-	(28.9)	(28.9)	380.6
Total current assets	741.2	-	(34.1)	(34.1)	707.1
Current liabilities					
Trade & other payables	(272.5)	6.4	9.7	16.1	(256.4)
Capex creditor	(78.5)	-	0.2	0.2	(78.3)
Borrowings	(334.8)	-	11.7	11.7	(323.1)

		Adjustments			
	Statutory £'m	Differences between statutory and RAG definitions £'m	Non-appointed £'m	Total adjustments £'m	Total appointed activities £'m
Financial instruments	(0.6)	-	-	-	(0.6)
Current tax liabilities	-	-	1.0	1.0	(1.0
Provisions	(0.6)	-	-	-	(0.6)
Total current liabilities	(687.0)	6.4	22.6	29.0	(658.0)
Net current assets / (liabilities)	54.2	6.4	(11.5)	(5.1)	49.1
Non-Current liabilities					
Trade & other payables	-	-	-	-	-
Borrowings	(4,226.8)	-	211.5	211.5	(4,015.3)
Financial instruments	(97.1)	-	51.1	51.1	(46.0)
Retirement benefit obligations	(19.2)	-	(1.1)	(1.1)	(20.3)
Provisions	(5.8)	-	-	-	(5.8)
Deferred income	(611.1)	-	0.5	0.5	(610.6)
Deferred income - adopted assets	-	-	-	-	-
Deferred tax	(689.0)	29.9	(7.3)	22.6	(666.4)
Total non-current liabilities	(5,649.0)	29.9	254.7	284.6	(5,364.4)

REGULATORY ACCOUNTING POLICIES AND DISCLOSURES FOR THE YEAR ENDED 31 MARCH 2026

		Adjustments			
	Statutory £'m	Differences between statutory and RAG definitions £'m	Non-appointed £'m	Total adjustments £'m	Total appointed activities £'m
Net assets	650.4	(89.4)	130.4	41.0	691.4
Equity					
Called up share capital	522.7		(30.6)	(30.6)	492.1
Retained earnings & other reserves	127.7	(89.4)	161.0	71.6	199.3
Total equity	650.4	(89.4)	130.4	41.0	691.4

Approved by the Board of Directors on 15 July 2026 and signed on their behalf by:



Heidi Mottram CBE, Chief Executive Officer

REGULATORY ACCOUNTING POLICIES AND DISCLOSURES FOR THE YEAR ENDED 31 MARCH 2026

Differences Between Statutory and Regulatory Definitions

Differences between statutory and RAG definitions are explained in note (a) of the Regulatory Accounting Policies and Disclosures.

The change in net assets and total equity reflects the different treatment of borrowing costs, which are capitalised in the Statutory Financial Statements but charged to the income statement in the Regulatory Accounting Statements, along with the associated depreciation and deferred tax; and the removal of the provision for Innovation Fund costs from the Regulatory Accounts along with the associated tax. Other changes reflect the disaggregation of cash balances and trading balances between the appointed and non-appointed businesses.

REGULATORY ACCOUNTING POLICIES AND DISCLOSURES FOR THE YEAR ENDED 31 MARCH 2026

1D STATEMENT OF CASH FLOWS

FINANCIAL PERFORMANCE FOR THE 12 MONTHS ENDED 31 MARCH 2026

		Adjustments			
	Statutory £'m	Differences between statutory and RAG definitions £'m	Non-appointed £'m	Total adjustments £'m	Total appointed activities £'m
Operating profit	383.3	(5.8)	(20.2)	(26.0)	357.3
Other income	-	11.9	(1.5)	10.4	10.4
Depreciation	182.6	(3.8)	(2.9)	(6.7)	175.9
Amortisation – developer services and diversions income	(6.9)	-	-	-	.(6.9)
Changes in working capital	(23.1)	(2.3)	2.4	0.1	(23.0)
Pension contributions	(6.3)	-	-	-	(6.3)
Movement in provisions	0.8	-	0.1	0.1	0.9
Profit on sale of fixed assets	(0.4)	-	-	-	(0.4)
Cash generated from operations	530.0	-	(22.1)	(22.1)	507.9
Net interest paid	(159.4)	-	13.2	13.2	(146.2)
Tax paid	0.5	-	4.0	4.0	4.5
Net cash generated from operating activities	371.1	-	(4.9)	(4.9)	366.2

Investing activities

	Statutory £'m	Differences between statutory and RAG definitions £'m	Non-appointed £'m	Total adjustments £'m	Total appointed activities £'m
Capital expenditure	(528.1)	-	1.9	1.9	(526.2)
Developer services and diversion income	26.3	-	-	-	26.3
Disposal of fixed assets	0.7	-	0.1	0.1	0.8
Other	-	-	-	-	-
Net cash used in investing activities	(501.1)	-	2.0	2.0	(499.1)
Net cash generated before financing activities	(130.0)	-	(2.9)	(2.9)	(132.9)
Cashflows from financing activities					
Equity dividends paid	(46.3)	-	-	-	(46.3)
Net loans received	21.2	-	(2.8)	(2.8)	18.4
Cash inflow from equity financing	400.0	-	-	-	400
Net cash generated from financing activities	374.9	-	(2.8)	(2.8)	372.1

REGULATORY ACCOUNTING POLICIES AND DISCLOSURES FOR THE YEAR ENDED 31 MARCH 2026

	Statutory £'m	Differences between statutory and RAG definitions £'m	Non-appointed £'m	Total adjustments £'m	Total appointed activities £'m
Increase / (decrease) in net cash	244.9	-	(5.7)	(5.7)	239.2

	£'m
Net interest paid comprises:	
Interest paid	(150.2)
Interest received	4.0
Net interest paid	(149.2)

REGULATORY ACCOUNTING POLICIES AND DISCLOSURES FOR THE YEAR ENDED 31 MARCH 2026

1E NET DEBT ANALYSIS AS AT 31 MARCH 2026
APPOINTED BUSINESS ONLY

Interest rate risk profile

	Fixed rate £'m	Floating rate £'m	Index linked: RPI £'m	Index linked: CPI/CPIH £'m	Total £'m
Borrowings (excluding preference shares)	2,857.2	210.4	1,134.4	235.8	4,437.8
Preference share capital	-	-	-	-	-
Total borrowings	-	-	-	-	4,437.8
Cash	-	-	-	-	(11.6)
Short term deposits	-	-	-	-	(369.0)
Net Debt	-	-	-	-	4,057.2
Gearing	-	-	-	-	61.3%
Adjusted Gearing	-	-	-	-	61.3%
Interest					
Full year equivalent nominal interest cost	134.7	10.1	60.1	10.7	215.6

Interest rate risk profile

	Fixed rate £'m	Floating rate £'m	Index linked: RPI £'m	Index linked: CPI/CPIH £'m	Total £'m
Full year equivalent cash interest payment	134.7	10.1	15.7	3.0	163.5
Indicative interest rates					
Indicative weighted average nominal interest rate	4.71%	4.82%	5.29%	4.56%	4.86%
Indicative weighted average cash interest rate	4.71%	4.82%	1.38%	1.26%	3.68%
Time to maturity					
Weighted average years to maturity	7.9	3.3	13.9	13.3	9.6

Reconciliation of Borrowings

The table below reconciles borrowings reported in the table 1C, the statement of financial position, and borrowings reported in table 1E.

	£'m
Borrowings – current liabilities	(327.8)
Borrowings – non-current liabilities	(4,010.7)
Total borrowings per table 1C	(4,338.5)
Unamortised issuance costs	(47.3)
Index-linked swap accretion	(52.0)
Total borrowings per table 1E	(4,437.8)

REGULATORY ACCOUNTING POLICIES AND DISCLOSURES FOR THE YEAR ENDED 31 MARCH 2026

1F FINANCIAL FLOWS

FOR THE 12 MONTHS ENDED 31 MARCH 2026 AND FOR THE PRICE REVIEW TO DATE

	Notional returns and notional regulatory equity %	Actual returns and notional regulatory equity %	Actual returns and actual regulatory equity %	Notional returns and notional regulatory equity £'m	Actual returns and notional regulatory equity £'m	Actual returns and actual regulatory equity £'m	Notional returns and notional regulatory equity %	Actual returns and notional regulatory equity %	Actual returns and actual regulatory equity %	Notional returns and notional regulatory equity £'m	Actual returns and notional regulatory equity £'m	Actual returns and actual regulatory equity £'m
Regulatory equity (£'m)	2,486.4	2,486.4	1,850.2				2,486.4	2,486.4	1,850.2			
Return on regulatory equity	6.08	4.52	6.08	151.1	112.5	112.5	6.08	4.52	6.08	151.1	112.5	112.5
Financing												
Impact of movement from notional gearing		1.55	2.12		38.6	39.2		1.55	2.12		38.6	39.2
Variance in corporation tax		-	-		-	-		-	-		-	-
Group relief		-	-		-	-		-	-		-	-
Cost of debt		1.73	2.82		43.0	52.2		1.73	2.82		43.0	52.2
Hedging instruments		-	-0.01		-	-		-	-		0.1	-
Return on regulatory equity including Financing adjustments	6.08	7.8	11.01	151.1	194.1	203.9	6.08	7.80	11.02	151.1	194.2	203.9
Operational Performance												
Totex out / (under) performance		(1.75)	(2.35)		(43.5)	(43.5)		(1.75)	(2.35)		(43.5)	(43.5)

REGULATORY ACCOUNTING POLICIES AND DISCLOSURES FOR THE YEAR ENDED 31 MARCH 2026

	Notional returns and notional regulatory equity %	Actual returns and notional regulatory equity %	Actual returns and actual regulatory equity %	Notional returns and notional regulatory equity £'m	Actual returns and notional regulatory equity £'m	Actual returns and actual regulatory equity £'m	Notional returns and notional regulatory equity %	Actual returns and notional regulatory equity %	Actual returns and actual regulatory equity %	Notional returns and notional regulatory equity £'m	Actual returns and notional regulatory equity £'m	Actual returns and actual regulatory equity £'m
ODI out / (under) performance		0.87	1.17		21.7	21.7		0.87	1.17		21.7	21.7
C-Mex out / (under) performance		-	-		-	-		-	-		-	-
D-Mex out / (under) performance		-	-		-	-		-	-		-	-
BR-Mex out / (under) performance		-	-		-	-		-	-		-	-
Retail out / (under) performance		(0.40)	(0.54)		(10.0)	(10.0)		(0.40)	(0.54)		(10.0)	(10.0)
PCD – time incentives		-	-		-	-		-	-		-	-
Return adjustment mechanisms		-	-		-	-		-	-		-	-
Other exceptional items		(0.11)	(0.14)		(2.7)	(2.7)		(0.11)	(0.14)		(2.7)	(2.7)
Operational performance total		(1.39)	(1.86)		(34.5)	(34.5)		(1.39)	(1.86)		(34.5)	(34.5)
RoRE (return on regulatory equity)	6.08	6.42	9.16	151.1	159.7	169.4	6.08	6.42	9.16	151.1	159.7	169.4
RCV growth	3.45	3.45	3.45	85.8	85.8	63.8	3.45	3.45	3.45	85.8	85.8	63.8
Voluntary sharing arrangements		-	-		-	-		-	-		-	-
Total shareholder return	9.53	9.87	12.61	236.9	245.5	233.2	9.53	9.87	12.61	236.9	245.5	233.2
Dividends												

REGULATORY ACCOUNTING POLICIES AND DISCLOSURES FOR THE YEAR ENDED 31 MARCH 2026

	Notional returns and notional regulatory equity %	Actual returns and notional regulatory equity %	Actual returns and actual regulatory equity %	Notional returns and notional regulatory equity £'m	Actual returns and notional regulatory equity £'m	Actual returns and actual regulatory equity £'m	Notional returns and notional regulatory equity %	Actual returns and notional regulatory equity %	Actual returns and actual regulatory equity %	Notional returns and notional regulatory equity £'m	Actual returns and notional regulatory equity £'m	Actual returns and actual regulatory equity £'m
Gross Dividend	4.04	1.65	2.21	100.6	41.0	41.0	4.04	1.65	2.21	100.6	41.0	41.0
Interest Receivable on Intercompany loans	-	-		-	-		-	-		-	-	
Retained Value	5.48	8.23	10.39	136.3	204.5	192.3	5.48	8.23	10.39	136.3	204.5	192.3

Explanation of Financial Flows

All Table 1F values are in 22/23 FYA prices, so will not correspond with the reported 25/26 values elsewhere in the APR. All values refer to the notional structure unless noted otherwise.

The purpose of this table is to provide transparency of financial flows to investors, comparing actual flows, and the main elements of performance which contribute to these flows, against the financial flows assumed by Ofwat under the notional structure at the last price review.

The table shows performance for 2025/26 and cumulative performance for the first year of the 2025-2030 price control period. All the financial values are expressed in the same 22/23 price base as the PR24 price review.

Return on regulatory equity (RORE)

At PR24, the base RORE was set at 6.08% for 2025/26. The regulatory equity base represents the proportion of RCV funded as equity rather than debt. Ofwat's notional structure for PR24 assumed net debt at 55% of RCV, equating to base regulatory equity of 45%, or £2,486m at March 2026.

Financing

This section of the report relates to performance from financing and tax.

Gearing is calculated as net debt divided by RCV. NWL's average gearing was 66.5%, remaining above Ofwat's notional structure assumption of 55%. The more efficient capital structure has generated a financing benefit of £39m.

There are zero tax variances for 25/26 as the FD allowance and actual tax paid were both zero.

Cost of debt performance is reported in real terms, rather than nominal. In 2025/26, the real cost of debt was 1.42% lower than allowed in the FD partly due to CPIH inflation being higher than assumed in FD, generating a £43.0m outperformance on the cost of debt:

Calc	Total Debt Outperformance	£m / %
A	Actual Average Net Debt Table 1E.6	4,130
B	Nominal Interest cost Table 1A6-8	210

Calc	Total Debt Outperformance	£m / %
C=A/B	Nominal actual cost of debt	5.08%
D	CPIH FYA 24/25 to 25/26	3.79%
E=C/D	Actual Real (Fisher calc)	1.24%
F: Ofwat	Ofwat Financial Flows FD Real	2.67%
G=F-E	**Cost of debt outperformance**	**1.42%**

The net effect of financing and tax in the year was an outperformance of FD allowance by £82m, or 3.3% of regulatory equity.

Operational Performance

This section of the report explains the impact of operational performance on wholesale totex, ODIs and retail costs, each of which is explained elsewhere in this report.

REGULATORY ACCOUNTING POLICIES AND DISCLOSURES FOR THE YEAR ENDED 31 MARCH 2026

Wholesale totex performance reflects the performance presented in table 4C and excludes variations due to timing of enhancement expenditure. The post cost sharing underperformance of £42m reflects overspends across all price controls for base capital and operating expenditure in the year due to insufficient base totex allowances. This is explained in the commentary to table 4C.

ODI performance against our PCs is reported in the tables in section 3, with table 3A reporting the summary incentive rewards and penalties (excluding C-MeX, D-MeX and BR-MeX rewards as explained below). The reported performance for the year for in-period adjustments is a net reward of £22m Our performance against each ODI is explained earlier in this report.

Performance rewards on C-MeX, D-Mex and BR-MeX are based on comparative performance across the sector and are not finalised until later in the year. The RAG4 guidance states that these should show zero values for 2025/26.

Retail costs were higher than the PR19 allowance by £10.0m, as explained in the narrative to table 2C and due in the main part to the allowance not being increased each year for inflation.

Exceptional items of £2.7m reflects several components:

Other Exceptional Items	£m
CMEX (24/25 value)	3.7
DMEX (24/25 value)	0.8
Land Sales	0.2
Disallowed (Table 4C.4)	(7.4)
Net Total	**(2.7)**

The net effect of operational performance in the year was an underperformance of FD allowance by £33m, 1.3% of regulatory equity.

Total Shareholder Return

The total shareholder return comprises base RORE, financing performance, operational performance and growth in the RCV as allowed in the FD. Our total notional shareholder return was £247m.

Retained Value

Our dividend policy is set out on page 144 of the Annual Report and we explain how this dividend policy is applied later on in this section. The dividend reported in the table is for dividends paid during the year, reflecting only an interim dividend of £42m. This resulted in notional retained value of £206m for 2025/26.

REGULATORY ACCOUNTING POLICIES AND DISCLOSURES FOR THE YEAR ENDED 31 MARCH 2026

APPOINTED BUSINESS TAXATION

The rate of UK corporation tax for the current year was 25%. The movement in the Company's deferred tax liabilities has been calculated at 25%.

The Company's tax position reflects the capital-intensive nature of the business, with significant capital investment generating tax reliefs which reduce current tax liabilities.

CURRENT TAX

Current tax for the Appointed business is derived by adjusting the Company's statutory position for amounts relating to Non-appointed activities and regulatory adjustments.

The Appointed business reports a current tax credit of £3.0m, comprising:

- a £1.6m charge in the income statement; and
- a £4.6m credit recognised in other comprehensive income (OCI), primarily relating to pension movements.

The net credit largely reflects the continued impact of high levels of capital investment, which generate capital allowances in excess of accounting depreciation, together with the surrender of tax losses to group companies.

During the year, the Appointed business surrendered losses to other group and associated companies and expects to receive £3.2m in consideration, calculated at the full corporation tax rate. Payments for the losses will be made at the full rate of corporation tax within the next 12 months.

A £0.2m current tax charge arises in respect of above-the-line Research and Development Expenditure Credit (RDEC).

The prior years' tax charge of £0.3m relates to RDEC adjustments for earlier years. The submission of the RDEC claim for year ended 31 March 2024 was made on 31 March 2026 and the repayment is expected to be received in the following 12 months. The submission of the RDEC claim for year ended 31 March 2025 and subsequent repayment are both expected to occur in the following 12 months.

DRIVERS OF THE CURRENT YEAR MOVEMENT

The current tax position represents a £0.6m increase in credit compared to the prior year. The main drivers are:

- higher profit before tax and fair value movements (+£16.1m);
- increased capital allowances, including the impact of capital allowance disclaimers (-£18.3m);
- lower pension contributions in excess of the accounting charge (+£1.8m); and
- other smaller movements (-£0.2m).
- Overall, the Appointed business continues to report a low effective current tax rate driven primarily by accelerated tax relief on capital investment.

DEFERRED TAX

The Appointed business reports a deferred tax charge of £41.8m reflecting timing differences between accounting and tax treatment, largely in respect of differences between accounting depreciation and capital allowances, together with movements in pension obligations and other temporary differences.

The deferred tax charge for the Appointed business is derived by adjusting the Company's statutory charge by amounts relating to accounting differences and the activities of the Non-appointed business.

The Company reports a statutory charge of £46.6m comprising:

- a £40.7m charge in the income statement; and
- a £5.9m charge in other comprehensive income.

Adjustments have then been made to align the statutory position with regulatory requirements, including:

- removal of capitalised interest in line with regulatory reporting (RAG) requirements (charge of £5.4m);
- adjustments relating to the Innovation Fund (credit £0.6m); and
- adjustments relating to Non-appointed activities (no charge/credit).

Deferred tax is provided at 25%, being the rate expected to apply when the underlying temporary differences reverse. The charge comprises £41.6m relating to the current year and £0.2m relating to prior years.

RECONCILIATION OF CURRENT TAX CHARGE

An explanation of why the current tax charge for the Appointed business is higher than the result of applying the standard rate of corporation tax to profit before tax is provided in the table below:

	Total appointed activities £'m
Profit before tax and fair value movements	158.1
Profit before tax and fair value movements multiplied by standard rate of corporation tax of 25%	39.5
EFFECTS OF:	
Expenses incurred that are not deductible for tax purposes	0.6
Loan accretion in derivatives allowable deduction	(3.4)
Depreciation in respect of non-qualifying items	1.2

REGULATORY ACCOUNTING POLICIES AND DISCLOSURES FOR THE YEAR ENDED 31 MARCH 2026

Tax reliefs claimed for capital expenditure in excess of accounts depreciation	(48.3)
Grants and contributions received in excess of accounts amortisation	14.3
Pension contributions paid in excess of accounts service and finance costs	(1.3)
Other temporary differences	0.3
Tax losses carried forward	(1.3)
Adjustments in respect of prior periods	0.3
UK:UK transfer pricing adjustments	(0.6)
Balancing payment payable	0.6
Appointed current tax charge per line 1A.12	1.9

FUTURE TAX CHARGES WILL BE AFFECTED BY THE FOLLOWING MATTERS:

The Company expects to continue to incur high levels of capital expenditure during the 2026-30 regulatory review period resulting in tax reliefs in excess of depreciation.

The full expensing and 50% first-year allowance regime for capital allowances was made permanent in Finance Act 2024. As a result the Company expects to continue to generate a tax loss over the 2026-30 regulatory review period, as well as throughout the following regulatory period review. The Company intends to limit the level of tax losses arising by way of disclaiming capital allowances, however, the Company 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 Company does not expect to be subject to the top-up tax in relation to its operations because it falls within the OECD transitional safe harbour rules which have also been adopted by the UK. The Company 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.

RECONCILIATION TO FINAL DETERMINATION ALLOWANCE

No allowance for corporation tax was made in the Final Determination (FD) at PR24. Actual performance differs to the FD for a number of reasons. As far as current tax is concerned, the charge for the year is reconciled to the FD allowance as follows:

	Total appointed activities £'m
Current tax charge (at 25%) allowed in price limits	-
Net increase in profit before tax and depreciation	6.0
Decrease in allowable pension contributions	2.8
Decrease in tax reliefs for capital expenditure	78.3
Increase in amortisation of grants and contributions	(1.7)
Increase in provisions	0.1
Increase in service income taxed via capital allowances	(0.2)
Loan accretion in derivatives allowable deduction	(3.4)
Other	0.5
Tax losses utilised in the year	(80.8)
Adjustments in respect of prior periods	0.3
Appointed current tax charge per line 1A.12	1.9

TAX STRATEGY RELATING TO THE APPOINTED BUSINESS

SCOPE

The Company is required, by section 4.35 of RAG 3.16, to publish details of its Tax Strategy relating to the Appointed Business within the Annual Performance Report. For the avoidance of doubt, the Company has a single Tax Strategy which applies to its Appointed and Non-appointed businesses, as well as to its subsidiaries.

The Tax Strategy set out below is for the Company's financial year ended 31 March 2026 in order to satisfy the requirements of Schedule 19, Finance Act 2016.

REGULATORY ACCOUNTING POLICIES AND DISCLOSURES FOR THE YEAR ENDED 31 MARCH 2026

AIM

The Company is committed to fully complying with all the statutory tax obligations that are imposed on its individual members or on the Company as a whole, including the provision of tax returns, the payment and recovery of taxes at the right time, and the provision of all relevant information to HMRC to support the amounts of tax concerned. These taxes include corporate income taxes, employment taxes, property taxes, withholding taxes, VAT, customs duties and other indirect taxes, taxes imposed on a multinational or global basis, and all other government-mandated levies.

The Company's Board owns and approves the Tax Strategy which comprises the following four components:

a. Tax governance arrangements

The Board reviews and approves all significant investment and business operating decisions directly or delegates the appropriate authority. The Company's Audit Committee considers significant tax related matters as part of its monitoring of internal controls and financial reporting arrangements.

The Chief Financial Officer is the member of the Executive Leadership Team with responsibility for tax matters. Day-to-day management of the Company's tax affairs is delegated to the Tax Manager and to other appropriately qualified staff who have responsibility for specific taxes. All staff with responsibility for tax report to members of the Company's senior management team which, in turn, reports to the Board.

The Company's tax affairs are conducted in a business-like manner in accordance with the Company's commitment to corporate responsibility.

b. Tax risk management framework

The Company's Risk Committee oversees the risk assessment process applied by the business which includes an assessment of tax risks.

As far as possible, through the activities of its Board, Committees and personnel responsible for tax matters, the Company seeks to manage the level of tax risk arising from its operations by ensuring appropriate processes and controls are in place.

The Company only takes tax positions which are justifiable and based on applicable law, with advice taken from reputable professional firms where necessary. In accordance with internal governance procedures, any transaction that is likely to have material tax consequences must be referred to the Board.

To help manage tax risk, the Company's taxation affairs are only handled by appropriately qualified and experienced staff and, where necessary, training is given to non-tax staff who are involved in processes which have tax implications.

The Company does not tolerate or condone any form of tax evasion, or any form of fraud or bribery, whether committed or facilitated by its own staff or any associated persons (e.g. agents and other persons who perform services for or on behalf of the Company) and manages this risk by the use of appropriate processes.

c. Approach to tax planning

The Company considers tax as part of its business decision making process. When entering into commercial transactions, the Company seeks to obtain the benefit of tax incentives, reliefs and exemptions available under UK tax legislation, consistent with the purpose and the letter of the law.

The tax affairs of the Company are arranged and managed in response to, and in support of, its business or commercial activities. Related party transactions are managed and documented to ensure they are in compliance with applicable tax law and practice.

d. Relationship with HMRC

The Company seeks to have a transparent and constructive relationship with HMRC on all taxation matters and keeps HMRC aware of significant transactions and business developments. All contact with HMRC is conducted in a professional and courteous manner.

The Company seeks to obtain certainty from HMRC at the earliest opportunity on the tax treatment of complex or uncertain issues or to establish the appropriate understanding or interpretation of the law. Discussions with HMRC are held at least annually to review past and present tax risks and agree on the steps required to take matters forward. Resolution of any disputed matters will be sought through open discussion and negotiation with HMRC, but the Company is prepared to litigate in cases where it believes the technical basis of a decision is incorrect.

The Company takes an active role in the development of the UK's legislative framework through participation at company or industry level in Government consultations on significant new tax laws.

TAX LOSSES

During the year ended 31 March 2026, the Appointed business surrendered tax losses to group and associated companies to facilitate timely utilisation of those losses elsewhere in the group.

Total tax losses of £14.456m were surrendered in the year to group companies, joint ventures and to the Non-Appointed business. The tax value of these losses was calculated by applying the 25% corporation tax rate, resulting in consideration of £3.614m payable to the Appointed business.

The Appointed business received payments from group companies throughout the year in line with statutory quarterly tax instalment due dates and were based on the business's best estimates at the time. Any amounts owed from/to group companies (including the Non-Appointed business) will be settled in September 2026 which is the tax instalment date following the submission of the statutory accounts. Payments due from associated companies will be received when final tax computations for those companies have been submitted to tax authorities, however, it is expected that all payments from associated companies will be received by the Appointed business within 12 months of the year end.

The Appointed business did not receive tax losses from other group companies in the year.

In respect of prior years, group relief surrenders reported within our response to the APR queries in July 2025, have been subsequently amended to reflect latest positions following the completion of tax computations. The revised positions are summarised below:

REGULATORY ACCOUNTING POLICIES AND DISCLOSURES FOR THE YEAR ENDED 31 MARCH 2026

	FY24 (original) £'m	FY24 (revised) £'m	FY25 (original) £'m	FY25 (revised) £'m
Gross loss surrendered	9.959	9.841	9.704	9.302
Payment received @ 25%	2.490	2.460	2.426	2.326

The main differences between the FY24 gross figures is that group companies required fewer losses to be surrendered than had been estimated during the tax provision process and an offsetting increase in the losses surrendered to associated companies. The main difference in the FY25 gross figures is that final losses surrendered to associated companies was less than had been estimated at the provision stage.

The Company has considered the impact of these arrangements on customers. While surrendering losses reduces the amount available to offset the Company's future taxable profits, the Appointed business is expected to continue generating tax losses for the foreseeable future due to significant levels of capital investment and enhanced capital allowances. As a result, the losses surrendered are not expected to be utilised in the near term and their transfer does not materially affect future customer bills under the current regulatory and tax framework.

The losses have been transferred on arm's length terms, with full value received at the prevailing corporation tax rate and within a reasonable timeframe. This ensures that the Appointed business is not disadvantaged and that the arrangements support the Company's financial resilience and continued investment in services, which is in customers' interests.

OVERALL SUMMARY

The Company's tax position reflects the capital-intensive nature of the business. Significant investment continues to generate tax reliefs that reduce current tax liabilities, while deferred tax balances reflect the future reversal of those timing differences. The approach taken is consistent with both UK tax legislation and regulatory reporting requirements.

2A SEGMENTAL INCOME STATEMENT for the 12 months ended 31 March 2026

	Residential retail	Business retail	Water resources	Water Network+	Wastewater Network+	Bioresource s	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Revenue - price control	88.5	-	125.0	438.8	380.8	41.5	1,074.6
Revenue - non-price control (principal services)	-	-	-	-	-	-	-
Revenue - non-price control (third-party services)	-	-	1.3	19.1	1.3	-	21.7
Operating expenditure - excluding PU recharge	(76.6)	-	(91.3)	(246.9)	(140.9)	(5.3)	(561.0)
PU opex recharge	(2.8)	-	(1.6)	7.4	(2.4)	(0.6)	-
Operating expenditure - including PU recharge	(79.4)	-	(92.9)	(239.5)	(143.3)	(5.9)	(561.0)
Depreciation - tangible fixed assets	(1.6)	-	(8.2)	(86.6)	(63.1)	(8.0)	(167.5)
Amortisation - intangible fixed assets	(3.1)	-	-	(5.1)	(0.3)	-	(8.5)
							-
Other operating income	-	-	-	0.7	0.1	0.1	0.9
Operating profit	4.4	-	25.2	127.4	175.5	27.7	360.2

2B TOTEX ANALYSIS: WHOLESALE
for the 12 months ended 31 March 2026

	Water resources	Water Network+	Wastewater Network+	Bioresources	Total
	£'m	£'m	£'m	£'m	£'m
Gross operating expenditure					
Operating expenditure - Total wholesale	93.0	239.4	143.4	6.0	481.8
Developer services & diversions income (opex)					
Developer services income (opex)	-	-	-	-	-
Diversions income (opex)	-	-	-	-	-
Net operating expenditure					
Operating expenditure - Total wholesale (net)	93.0	239.4	143.4	6.0	481.8
Gross capital expenditure					
Capital expenditure - Total wholesale	28.6	284.1	212.9	16.4	542.0
Developer services & diversions income (capex)					
Developer services income (capex)	-	16.6	1.1	-	17.7
Diversions income (capex)	-	17.9	0.1	-	18.0
Net capital expenditure					
Capital expenditure - Total wholesale (net)	28.6	249.6	211.7	16.4	506.3
Net total expenditure					
Net totex	121.6	489.0	355.1	22.4	988.1
Cash expenditure					
Pension deficit recovery payments	0.1	3.1	1.5	0.3	5.0
Equity issuance costs	-	-	-	-	-
Other cash items	-	-	-	-	-
Totex including cash items	121.7	492.1	356.6	22.7	993.1

2C COST ANALYSIS: RETAIL
for the 12 months ended 31 March 2026

	Residential	Business	Total
	£'m	£'m	£'m
Operating expenditure			
Customer services	21.3	-	21.3
Debt management	4.6	-	4.6
Doubtful debts	30.2	-	30.2
Meter reading	2.3	-	2.3
Other operating expenditure	16.7	-	16.7
Local authority and Cumulo rates	0.2	-	0.2
Total operating expenditure excluding third party services	75.3	-	75.3
Depreciation (tangible fixed assets) on assets existing at 31 March 2015	0.3	-	0.3
Depreciation (tangible fixed assets) on assets acquired after 1 April 2015	1.3	-	1.3
Amortisation (intangible fixed assets) on assets existing at 31 March 2015	-	-	-
Amortisation (intangible fixed assets) on assets acquired after 1 April 2015	3.1	-	3.1
Recharge from wholesale for legacy assets principally used by wholesale	0.8	-	0.8
Income from wholesale for legacy assets principally used by retail (assets existing at 31 March 2015)	0.1	-	0.1
Recharge from wholesale assets acquired after 1 April 2015 principally used by wholesale	2.2	-	2.2
Income from wholesale assets acquired after 1 April 2015 principally used by retail	0.1	-	0.1
Net recharges costs	2.8	-	2.8
Total retail costs excluding third party and pension deficit repair costs	82.8	-	82.8
Third party services operating expenditure	-	-	-
Pension deficit repair costs	1.3	-	1.3
Total retail costs including third party and pension deficit repair costs	84.1	-	84.1
Debt written off	10.9	-	10.9
Capital expenditure	3.4	-	3.4
Cumulative actual retail expenditure to reporting year end	82.8		
Cumulative allowed expenditure to reporting year end	70.5		
Total allowed expenditure - current AMP	380.2		

Retail revenue and cost reconciliation to FD

Household retail revenue, reported in table 2I, was £88.5m, compared to revenue allowed in the FD of £91.7m.

Household retail costs excluding pension deficit repair costs, in table 2C above, were £82.8m, which was £12.3m higher than allowed in the FD.

The retail cost base is higher than the allowance in the FD, reflecting inflationary pressures on staff and other costs which were not allowed in the FD most notably IS costs including software as a service spend.

2D HISTORIC COST ANALYSIS OF TANGIBLE FIXED ASSETS

for the 12 months ended 31 March 2026

	Residential Retail	Business retail	Water resources	Water Network+	Wastewater Network+	Bioresources	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Cost							
At 1 April 2025	35.7	-	439.3	4,096.1	3,569.5	235.7	8,376.3
Disposals	(0.1)	-	(0.1)	(5.0)	(3.8)	(0.6)	(9.6)
Additions	1.4	-	28.6	278.3	212.9	16.4	537.6
Adjustments	(0.4)	-	3.0	(1.5)	(3.8)	1.9	(0.8)
Assets adopted at nil cost	-	-	-	5.9	33.9	-	39.8
At 31 March 2026	36.6	-	470.8	4,373.8	3,808.7	253.4	8,943.3
Depreciation							
At 1 April 2025	(30.9)	-	(95.9)	(1,495.7)	(1,045.6)	(164.5)	(2,832.6)
Disposals	0.1	-	0.1	5.0	3.8	0.6	9.6
Adjustments	-	-	-	1.1	(1.1)	-	-
Charge for year	(1.6)	-	(8.2)	(86.6)	(63.1)	(8.0)	(167.5)
At 31 March 2026	(32.4)	-	(104.0)	(1,576.2)	(1,106.0)	(171.9)	(2,990.5)
Net book amount at 31 March 2026	4.2	-	366.8	2,797.6	2,702.7	81.5	5,952.8
Net book amount at 1 April 2025	4.8	-	343.4	2,600.4	2,523.9	71.2	5,543.7
Depreciation charge for year							
Principal services	(1.6)	-	(8.2)	(86.6)	(63.1)	(8.0)	(167.5)
Third party services	-	-	-	-	-	-	-
Total	(1.6)	-	(8.2)	(86.6)	(63.1)	(8.0)	(167.5)

The net book value includes

Amortisation for year							
Third party services	-	-	(0.3)	-	-	-	(0.3)

Third party services at 31 March							
Cost at 31 March - third party services tangibles	-	-	9.2	-	-	-	9.2
Amortisation at 31 March - third party services tangibles	-	-	(4.8)	-	-	-	(4.8)
Net book amount at 31 March - third party services tangibles	-	-	4.4	-	-	-	4.4

The net book value includes £610.1m in respect of assets in the course of construction.

During the year an adjustment of £0.8m has been reclassified between tangible assets in the course of construction and intangible assets in the course of construction.

2E ANALYSIS OF 'GRANTS AND CONTRIBUTIONS': WATER RESOURCES, WATER NETWORK+ AND WASTEWATER NETWORK+
for the 12 months ended 31 March 2026

	Income relating to opex spend	Income relating to capex spend	Total
	£'m	£'m	£'m
Developer services income - water network+			
Infrastructure charge receipts – water	-	4.6	4.6
Income offset – water	-	-	-
Environmental incentives for more water efficient developments	-	(0.3)	(0.3)
Environmental component for more water efficient developments	-	0.2	0.2
Infrastructure charge receipts – after impact of income offset and	-	4.5	4.5
Connection charges - water	-	-	-
Requisitioned mains	-	-	-
Other Developer services income - water network+ (price	-	-	-
Total Developer services income - water network+ (price control)	-	4.5	4.5
Developer services income - water network+			
Connection charges - water (English companies only)	-	8.4	8.4
Requisitioned mains (English companies only)	-	3.7	3.7
Other developer services income - water network+ (non-price	-	-	-
Total Developer services income - water network+ (non-price	-	12.1	12.1
Developer services income - wastewater network+ (price control)			
Infrastructure charge receipts – wastewater	-	0.4	0.4
Income offset - wastewater	-	-	-
Environmental incentives for more water efficient developments - wastewater	-	(0.1)	(0.1)
Environmental component for more water efficient developments	-	-	-
Infrastructure charge receipts – after impact of income offset and	-	0.3	0.3
Other developer services income - wastewater network+ (price	-	-	-
Total Developer services income - wastewater network+ (price	-	0.3	0.3
Developer services income - wastewater network+ (non-price			
Receipts for on-site work	-	-	-
Other developer services income - wastewater network+ (non-	-	0.7	0.7
Total Developer services income - wastewater network+ (non-	-	0.7	0.7

2E ANALYSIS OF 'GRANTS AND CONTRIBUTIONS': WATER RESOURCES, WATER NETWORK+ AND WASTEWATER NETWORK+ (continued)
for the 12 months ended 31 March 2026

Grants and contributions falling within the wholesale price control, and therefore also reported on table 2B, comprise connection charges, infrastructure charge receipts and requisitioned mains and sewers.

2F RESIDENTIAL RETAIL

for the 12 months ended 31 March 2026

	Revenue	Number of customers	Average residential revenues
	£'m	000s	£
Residential revenue			
Wholesale revenue	755.4		
Retail revenue	88.5		
Total residential revenue	843.9		
Retail revenue			
Revenue Recovered ("RR")	88.5		
Revenue sacrifice	3.6		
Actual revenue (net)	92.1		
Customer information			
Actual customers ("AC")		2,001.2	
Reforecast customers		1,997.9	
Adjustment			
Allowed revenue ("R")	91.7		
Net adjustment	(0.4)		
Other residential information			
Average residential retail revenue per customer			46.0

2G NON-HOUSEHOLD WATER AND WASTEWATER REVENUES BY TARIFF TYPE

NWL exited the NHH retail market at 1 April 2017 and transferred its NHH retail business to an acquiring licenced retailer, NWGB, another subsidiary of NWGL.

In accordance with RAG 4.14, as NWL has exited all NHH market activities, we are no longer required to publish table 2G.

NWL still provides wholesale water and wastewater services to NHH properties in our areas of supply. The NHH wholesale revenue for the year ended 31 March 2026 was £230.8m, as reported in table 2I.

2H CASH COLLECTION PERFORMANCE RATES – RESIDENTIAL RETAIL

	% Revenue collected				
	2025-26	2026-27	2027-28	2028-29	2029-30
All customers					
Collection rates for bills raised in 2025-26 - all customers	89.8%	92.8%	94.6%	95.8%	96.6%
Collection rates for bills raised in 2026-27 - all customers		90.4%	92.8%	94.6%	95.8%
Collection rates for bills raised in 2027-28 - all customers			90.4%	92.8%	94.6%
Collection rates for bills raised in 2028-29 - all customers				90.4%	92.8%
Collection rates for bills raised in 2029-30 - all customers					90.4%
Measured customers					
Collection rates for bills raised in 2025-26 - measured customers	90.1%	93.0%	94.9%	96.2%	97.0%
Collection rates for bills raised in 2026-27 - measured customers		90.1%	93.0%	94.9%	96.2%
Collection rates for bills raised in 2027-28 - measured customers			90.1%	93.0%	94.9%
Collection rates for bills raised in 2028-29 - measured customers				90.1%	93.0%
Collection rates for bills raised in 2029-30 - measured customers					90.1%
Non measured customers					
Collection rates for bills raised in 2025-26 - non-measured	89.5%	92.7%	94.3%	95.5%	96.3%
Collection rates for bills raised in 2026-27 - non-measured		90.6%	92.7%	94.3%	95.5%
Collection rates for bills raised in 2027-28 - non-measured			90.6%	92.7%	94.3%
Collection rates for bills raised in 2028-29 - non-measured				90.6%	92.7%
Collection rates for bills raised in 2029-30 - non-measured					90.6%

2I REVENUE ANALYSIS for the 12 months ended 31 March 2026

	Household	Non-household	Total	Water resources	Water network+	Total
	£'m	£'m	£'m	£'m	£'m	£'m
Wholesale charge - water						
Unmeasured	219.4	1.9	221.3	52.4	168.9	221.3
Measured	222.0	113.4	335.4	72.6	262.8	335.4
Third party revenue	1.7	5.5	7.2	-	7.2	7.2
Total wholesale water revenue	443.1	120.8	563.9	125.0	438.9	563.9

	Household	Non-household	Total	Wastewater network+	Bioresources	Total
	£'m	£'m	£'m	£'m	£'m	£'m
Wholesale charge - wastewater						
Unmeasured - foul charges	112.6	1.0	113.6	101.4	12.2	113.6
Unmeasured - surface water charges	48.7	2.6	51.3	44.7	6.6	51.3
Unmeasured - highway drainage charges	24.3	1.2	25.5	25.2	0.3	25.5
Measured - foul charges	63.4	54.2	117.6	107.3	10.3	117.6
Measured - surface water charges	42.8	34.6	77.4	68.9	8.5	77.4
Measured - highway drainage charges	20.2	16.3	36.5	32.9	3.6	36.5
Third party revenue	0.3	-	0.3	0.3	-	0.3
Total wholesale wastewater revenue	312.3	109.9	422.2	380.7	41.5	422.2

Wholesale Total	755.4	230.7	986.1
Retail revenue			
Unmeasured	29.5	-	29.5
Measured	59.0	-	59.0
Other third party revenue	-	-	-
Retail Total	88.5	-	88.5

2I REVENUE ANALYSIS for the 12 months ended 31 March 2026 (continued)

Wholesale revenue control reconciliation to FD

Charges for 2025/26 were set in accordance with the price controls set by Ofwat in its PR24 Final Determination.

Household voids have increasing slightly from 3.62% to 3.79% at the end of March 2026.

For our non-household charging base, during the year we have seen consumption decrease slightly. Non-household voids have remained relatively stable.

Wholesale water revenue in 2025/26 was £27.1m (4.8%) higher than the revenue cap income allowance due to increased diversions income and developer services income billed in the year. This is all within the Water Network+ price control. Diversions income was £17.9m and Developer Services was £4.5m, with additional third party income of £2.0m. This equates to an additional £20.4m of income in 2025/26. This higher level was reflected in 2026/27 price setting and rebalanced between primary charges and grants and contributions.

Wholesale wastewater revenue in 2025/26 was £0.1m (0.1%) lower than the revenue cap income allowance. This is split between the network+ and bioresources price controls which were £0.1m (0.0%) lower and £0.2m (0.4%) lower respectively. Within the network+ price control, developer services and diversions income is £1m (67%) lower than the allowed revenue for the period. This lower level was reflected in 2026/27 price setting and rebalanced between primary charges and grants and contributions.

The revenue imbalances in the table above (for water resources and the network+ controls) will be incorporated into the Revenue Forecasting Incentive model and will be corrected within charges for 2027/28 against the relevant price controls.

2K INFRASTRUCTURE CHARGES RECONCILIATION for the 12 months ended 31 March 2026

	Water	Wastewater	Total
	£'m	£'m	£'m
Comparison of revenue and costs			
Variance brought forward	-	-	-
Revenue	4.6	0.4	5.0
Costs	-6.6	-	-6.6
Variance carried forward	-2.0	0.4	-1.6
Analysis of variance movement in year			
Revenue impact of charge element which corrects previous years variance	-	-	-
Difference in billable developer activity against forecast in year	(0.3)	-	(0.3)
Difference in infrastructure reinforcement activity against forecast in year	2.9	0.4	3.3
Variance movement in year	2.6	0.4	3.0

Reconciliation of infrastructure charges and network reinforcement costs

Infrastructure charges are set at a level to fund investment in reinforcement of our networks, to meet the demand arising from new development of household properties. We are required to ensure that revenue from infrastructure charges broadly matches network reinforcement expenditure over a five year rolling period.

We review infrastructure charges annually, taking account of extra capacity expected to be required as a result of new developments in the following five years. Our forecast reflects applications received for the provision of new infrastructure, pre-development enquiries and a longer term view of local authority plans and strategic studies.

Water

During 2025/26, expenditure on water network reinforcement projects was greater than infrastructure charges receipts. The net position at the end of 2025/26 was that the expenditure on water network reinforcement is £2.0m more than the infrastructure charge income received. The projected network reinforcement expenditure over the next five years is expected to be significant to support new development growth. Water infrastructure charges have been increased in 26/27 and are likely to increase further to fund the next five year’s reinforcement expenditure

Wastewater

During 2025/26, expenditure on wastewater network reinforcement projects was less than infrastructure charges receipts. The net position at the end of 2025/26 was that the expenditure on wastewater network reinforcement is £0.4m less than the infrastructure charge income received. Charges for 26/27 have been increased to reflect the projected network reinforcement expenditure over the next five years.

2L LAND SALES for the 12 months ended 31 March 2026

	Water resources	Water Network+	Wastewater Network+	Total
	£'m	£'m	£'m	£'m
Land sales – proceeds from disposals of protected land	0.1	0.1	-	0.2

Land Sales during 2025/26

There were no qualifying disposals to report to Ofwat during the year.

2M REVENUE RECONCILIATION: WHOLESALE for the 12 months ended 31 March 2026

	Water resources	Water network+	Wastewater network+	Bioresources	Total
	£'m	£'m	£'m	£'m	£'m
Revenue recognised					
Wholesale revenue governed by price control	125.0	438.9	380.7	41.5	986.1
Developer services income (price control)	-	4.5	0.3	-	4.8
Diversions income (price control)	-	17.9	0.1	-	18.0
Total revenue governed by wholesale price control	125.0	461.3	381.1	41.5	1,008.9
Calculation of the revenue cap					
Allowed wholesale revenue before adjustments (or modified by CMA)	124.5	432.9	379.6	42.3	979.3
Allowed developer services income before adjustments (or modified by CMA)	-	4.0	1.6	-	5.6
Revenue adjustment	-	-	-	-	-
Revenue cap	124.5	436.9	381.2	42.3	984.9
Calculation of the revenue imbalance					
Revenue cap	124.5	436.9	381.2	42.3	984.9
Revenue Recovered	125.0	461.3	381.1	41.5	1,008.9
Revenue imbalance	(0.5)	(24.4)	0.1	0.8	(24.0)
AMP8 revenue adjustments					
Uninvoiced revenue due from retailers	-	-	-	-	-
Competitively Appointed Provider charges	-	-	-	-	-

2N RESIDENTIAL RETAIL SOCIAL TARIFFS for the 12 months ended 31 March 2026

	Revenue	Number of customers	Average amount per customer
	£'m	000s	£
Number of residential customers on social tariffs			
Residential water only social tariffs customers		39,437.0	-
Residential wastewater only social tariffs customers		-	-
Residential dual service social tariffs customers		91,616.0	-
Number of residential customers not on social tariffs			
Residential water only no social tariffs customers		746,994.0	-
Residential wastewater only no social tariffs customers		73,834.0	-
Residential dual service no social tariffs customers		1,049,285.0	-
Social tariff discount			
Average discount received by each water only social tariffs customer			123.8
Average discount received by each wastewater only social tariffs customer			-
Average discount received by each dual service social tariffs customer			203.4
Social tariff cross-subsidy - residential customers			
Total funding from customers to support water only social tariffs	4,401.5		
Total funding from customers to support wastewater only social tariffs	406.1		
Total funding from customers to support dual service social tariffs	15,521.7		
Average funding from customers to support each water only social tariffs customer			5.6
Average funding from customers to support each wastewater only social tariffs customer			-
Average funding from customers to support each dual service social tariffs customer			13.6

2N RESIDENTIAL RETAIL SOCIAL TARIFFS for the 12 months ended 31 March 2026 (continued)

	Revenue	Number of customers	Average amount per customer
	£'m	000s	£
Funding from shareholders to support social tariffs			
Total funding from shareholders to support water only social tariffs	478.9		
Total funding from shareholders to support wastewater only social tariffs	-		
Total funding from shareholders to support dual service social tariffs	3,112.9		
Average funding from shareholders to support each water only social tariffs customer			12.1
Average funding from shareholders to support each wastewater only social tariffs customer			-
Average funding from shareholders to support each dual service social tariffs customer			34.0
Social tariff support - willingness to pay			
Maximum amount customers are willing to pay to support social tariffs.			17.5

Section B - WaterSure tariffs

	Revenue	Number of customers	Average amount per customer
	£'m	000s	£
WaterSure tariffs			
Number of unique customers on WaterSure		23.0	
Total reduction in bills for all WaterSure customers who paid the average household bill	5.5		
Average reduction in bills for all WaterSure customers who paid the average household bill			237.6

2O HISTORIC COST ANALYSIS OF INTANGIBLE FIXED ASSETS for the 12 months ended 31 March 2026

	Residential Retail	Business Retail	Water Resources	Water Network+	Wastewater Network+	Bioresources	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Cost							
At 1 April 2025	41.5	-	-	115.1	1.0	0.3	157.9
Disposals	-	-	-	-	-	-	-
Additions	1.9	-	-	5.8	-	-	7.7
Adjustments	1.8	-	0.1	(2.2)	0.9	0.2	0.8
Assets adopted at nil cost	-	-	-	-	-	-	-
At 31 March 2026	45.2	-	0.1	118.7	1.9	0.5	166.4
Amortisation							
At 1 April 2025	(17.5)	-	-	(85.4)	(0.9)	(0.2)	(104.0)
Disposals	-	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-	-
Charge for year	(3.1)	-	-	(5.1)	(0.2)	(0.1)	(8.5)
At 31 March 2026	(20.6)	-	-	(90.5)	(1.1)	(0.3)	(112.5)
Net book amount at 31 March 2026	24.6	-	0.1	28.2	0.8	0.2	53.9
Net book amount at 1 April 2025	24.0	-	-	29.7	0.1	0.1	53.9
Amortisation for year							
Third party services	-	-	-	-	-	-	-
Third party services at 31 March							
Cost at 31 March - third party services intangibles	-	-	-	-	-	-	-
Amortisation at 31 March - third party services intangibles	-	-	-	-	-	-	-

Net book amount at 31 March - third party services intangibles	-	-	-	-	-	-	-

The net book value includes £11.5m in respect of assets in the course of construction.
During the year an adjustment of £0.8m has been reclassified between intangible assets in the course of construction and tangible assets in the course of construction.

2P THIRD PARTY SERVICES REVENUE for the 12 months ended 31 March 2026

	Water resources	Water network+	Wastewater network+	Bioresources	Additional water control	Total
	£'m	£'m	£'m	£'m	£'m	£'m
Third-party services - price control						
Non potable water (which are not bulk supplies) revenue	-	5.1	-	-	-	5.1
Rechargeable revenue - Fluoridation	-	0.6	-	-	-	0.6
Rechargeable revenue - Fire hydrant install & repair	-	0.2	-	-	-	0.2
Rechargeable revenue - third party damage	-	0.2	0.1	-	-	0.3
Rechargeable revenue - build over	-	-	-	-	-	-
Other rechargeable revenue	-	1.1	0.1	-	-	1.2
Total third-party revenue (price control)	-	7.2	0.2	-	-	7.4
Third-party services - non-price control						
Bulk supplies revenue	1.3	4.5	-	-	-	5.8
Reservoir operating agreements revenue	-	-	-	-	-	-
Other excluded charge revenue	-	14.6	1.3	-	-	15.9
Total third-party revenue (non-price control)	1.3	19.1	1.3	-	-	21.7
Third-party services						
Total third-party services revenue	1.3	26.3	1.5	-	-	29.1

2R ANALYSIS OF DIVERSIONS INCOME BY PRICE CONTROL for the 12 months ended 31 March 2026

	Income relating to opex spend	Income relating to capex spend	Total
	£'m	£'m	£'m
Diversion income - water resources (price control)			
s185 diversions income - water resources	-	-	-
NRSWA diversions income - water resources	-	-	-
Non-s185 diversions income - water resources	-	-	-
Total diversions income - water resources	-	-	-
Diversion income - water network+ (price control)			
s185 diversions income - water network+	-	2.7	2.7
NRSWA diversions income - water network+	-	15.2	15.2
Non-s185 diversions income - water network+	-	-	-
Total diversions income - water network+	-	17.9	17.9
Diversions income -			
NRSWA diversions income - wastewater network+	-	0.1	0.1
Non-s185 diversions income - wastewater network+	-	-	-
Total diversions income - wastewater network+	-	0.1	0.1
Diversions income -			
s185 diversions income - wastewater network+	-	-	-

DISCLOSURE OF TRANSACTIONS WITH ASSOCIATES

Services supplied to the appointee by associated companies:

Nature of transaction	Company	Turnover of associate	Terms of supply	Value
		£'m		£'m
Holding company charges	NWGL	10.9	No market	1.624
Public liability insurance (deductible infill policy)	Three Rivers Insurance Company Limited (TRICL)	0.4	No market	0.38
Vehicle maintenance and capital finance charge	Vehicle Lease and Service Limited (VLS)	25.4	Competitive letting	24.304
Corporation tax group relief surrendered by regulated business	Caledonian Environmental Levenmouth Treatment Services Limited	9.8	No market	-
Corporation tax group relief surrendered by regulated business	Reiver Finance Limited	19.8	No market	1.474
Corporation tax group relief surrendered by regulated business	Northumbrian Water Finance plc	-	No market	0.085
Water and Sewerage Supplies	Anglian Water Business National Ltd	703.8	Competitive	0.449
Mains repairs + Trade effluent charges	Northern Gas Networks	523.6	No market	0.008
Construction	UK Power Networks	2,462.9	No market	1.107

Services supplied by the appointee to associated companies:

Nature of transaction	Company	Turnover of associate	Terms of supply	Value
		£'m		£'m
Rental of garage and service charges	VLS	25.4	Negotiated	0.224
Service charge in compliance with the WROA agreement	Reiver Finance Limited	19.8	No market	1.474
UK:UK transfer pricing tax adjustment	Northumbrian Water Finance Limited	-	No market	0.085
UK:UK transfer pricing tax adjustment	Northumbrian Water Group Limited	10.9	No market	1.113
Water and Sewerage Supplies	Anglian Water Business National Ltd	703.8	Competitive	149.05
Mains repairs + Trade effluent charges	Northern Gas Networks	523.6	No market	2.777
Rental Income	UK Power Networks	2,462.9	No market	0.592

Turnover data for all companies relates to the year to 31 March 2025, with the exception of data for VLS which relates to the year to 31 December 2024 and UK Power Networks which relates to 31 March 2024.

Payment for tax losses transferred between group/associated companies and UK:UK transfer pricing adjustments is calculated as the gross amount of the item multiplied by the corporation tax rate for the year.

Services provided to the non-appointed business:

	Basis of recharge	£'m
Treatment of imported sludge	The average unit cost per tonne dry solid is calculated using operating costs only and excluding payroll. This gives a unit rate which is more than the incremental cost but less than the income received therefore sharing the benefit of the activity.	0.008
Treatment of tankered waste	The recharge comprises recovery of operating costs of operator time and sampling and analysis and a charge for the use of appointed business assets, calculated using the Biological and Sludge elements of the trade effluent charge set out in the Company's Wholesale Charges Scheme.	2.288
Other	Other assets are specifically identified to the appropriate business.	-

Information in relation to allocations and apportionments

The appointed and non-appointed businesses operate separate accounting records including sales and purchase ledgers. Revenue, operating costs, assets and liabilities are taken directly from these records.

Revenue is separately recorded between wholesale water and wastewater and household and non-household retail services and no apportionment has been necessary. Operating costs have been allocated between wholesale water and wastewater and household and non-household retail services in accordance with the guidance set out in RAG 4.12.

Overhead costs incurred in the appointed business which relate to the non-appointed business have been allocated using an activity based approach to comply with RAG 5.07.

Interest has been allocated between the appointed and non-appointed businesses on the basis of actual cash balances held by these businesses during the year at market rates. Capital costs and the related depreciation charges are specifically identifiable to the appropriate business and service.

The surrender of tax losses to the non-appointed business recognises that the appointed business has tax losses while the non-appointed business has taxable profits which will be offset within the appointee's tax return.

Borrowings

At 31 March 2026, the appointee's appointed business had the following borrowings issued by associated companies:

			%	£'m
Northumbrian Water Finance plc	Fixed rate Eurobond	Apr-33	5.625	345.772
	Fixed rate Eurobond	Jan-42	5.125	344.777
	Index linked Eurobond	Jul-36	2.033	320.931
	Index linked Eurobond	Jan-41	1.6274	126.860
	Index linked Eurobond	Jul-49	1.7118	210.184
	Index linked Eurobond	Jul-53	1.7484	210.188
	Fixed rate Eurobond	Oct-26	1.625	299.837
	Fixed rate Eurobond	Oct-27	2.375	299.469
	Index linked Private Placement	Oct-39	CPI + 0.242	129.064
	Fixed rate Eurobond	Oct-34	6.375	392.815
	Fixed rate Eurobond	Feb-31	4.5	395.046
	Fixed rate Eurobond	Oct-37	5.5	292.373
	Index linked Eurobond	Apr-39	CPI +2.490	106.000
	Fixed rate Eurobond	Apr-45	6.875	89.069
	Fixed rate Eurobond	Jul-32	5.375	297.885
ABF SLP	SLP Loan Note	Oct-38	6.947	517.074
VLS	Lease	Various	5.5	21.436
				4398.780

At 31 March 2026, the appointee's non appointed business had the following loan issued to an associated company:

			%	£'m
Bakethin Holdings Limited	Variable	Jan-34	SONIA minus 39bp	2.109

Guarantees or other forms of security

There were no guarantees or other forms of security provided by the appointee to any associate during the year, other than those relating to amounts borrowed from NWF, outlined above.

Omission of right

There were no omissions by the appointee to exercise any rights which would cause the net assets to decrease.

Waivers

There were no waivers by the appointee of any consideration, remuneration or other payment owed to it by any associated company.

The information in this note has been produced to comply with the requirements of RAG 5.07 Transfer Pricing in the Water Industry and the disclosures required by paragraph 6 of Condition F of the Company's operating licence.

The Directors confirm that, to the best of their knowledge, all transactions with associated companies have been disclosed.

Dividend Disclosures

Dividends paid during the year

During the year, the following ordinary dividends were paid by NWL to NWGL, its immediate parent company:

Ordinary dividends paid:	**2025/26 £m**	**2024/25 £m**
Final dividend for the year ended 31 March 2025 (31 March 2024)	-	40.4
Interim dividend for the year ended 31 March 2026 (31 March 2025)	46.3	-
Appointed business	**46.3**	**40.4**
Dividend yield, as reported in table 4H (actual structure)	1.8%	2.5%

Dividends paid in respect of the year

The Board determines dividends for the year to which they relate, which typically comprises an interim dividend paid during the year, and a final dividend paid after the year end.

After the balance sheet date, the Board approved a final dividend of £56.2m. This equated to a 4% dividend yield for dividends paid in respect of 2025/26. The Company had sufficient distributable reserves to support the dividend, as set out in the Financial Statements.

Ordinary dividends paid & proposed in respect of the year:	**2025/26 £m**	**2024/25 £m**
Interim dividend for the year ended 31 March 2026 (31 March 2025)	46.3	-
Final dividend proposed for the year ended 31 March 2026 (31 March 2025)	56.2	-
Appointed business	**102.5**	**-**
Dividend yield in respect of the year (actual structure)	4.0%	-

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 3 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

Final dividend for the year ended 31 March 2025

The final results for 2024/25 confirmed that the application of the dividend policy did not support payment of any dividend for the year, therefore the Board decided not to approve a final dividend for the year ended 31 March 2025. In particular, this took account of:

- The undertakings provided in respect of Ofwat's wastewater investigation;
- Totex costs in excess of FD allowances for 2024/25, as reported in table 4C; and
- Actual ODI performance, as reported in section 3, including end of AMP penalties in respect of per capita consumption and delivery of the smart metering programme.

In addition, the Board took account of the PR24 Final Determination and the uncertainty over the ongoing CMA redetermination process, as a result of which new equity capital is not expected to be provided until after the CMA's final decision.

Interim dividend for the year ended 31 March 2026

An interim dividend of £46.3m was paid during the year, determined by reference to the Company's forecast financial and operational performance for 2025/26, applied in accordance with the dividend policy. This implied full year dividend represents a dividend yield of 4% on regulatory equity (actual structure), with the interim dividend representing a portion of the expected full year distribution, with the balance assessed alongside full year performance at the final dividend stage.

The Board emphasises that the dividend has not been determined mechanistically by reference to regulatory metrics. While such metrics inform the assessment, the final decision reflects the Board's judgement based on performance in the round, together with financial resilience and investment needs.

£m	2025/26 forecast
Base return (notional structure)	159.3
Totex performance	(25.6)
ODI performance	28.6
Financing performance (including inflation)	-
Total return including performance	**162.3**
Financial resilience smoothing adjustment brought forward	-
Financial resilience smoothing adjustment carried forward	(58.7)
Total dividend in respect of 2025/26	**103.6**

- **Base return** reflects the application of the real cost of equity (5.7%) to regulatory equity, calculated with reference to the notional capital structure (55% gearing) set out in the Final Determination. In line with Ofwat expectations, the Board has explicitly considered the relationship between this notional framework and the Company's actual capital structure and financial position including current gearing and credit metrics; financing requirements associated with AMP8 and the impact of dividend payments on actual equity and financial resilience. The notional base return is therefore one input to the decision, rather than a determinant of the dividend outcome.
- **Totex performance** represents the Company's expected share of wholesale cost performance relative to regulatory allowances, with a net underperformance driven by higher operating expenditure, partially offset by application of regulatory cost-sharing mechanisms.
- **ODI performance** reflects a forecast net reward for 2025/26, driven by strong performance in key areas including sewer flooding, customer service (C-MeX and BR-MeX) and bathing water compliance.

- **Financing performance** has not been included in the interim dividend assessment and will be fully evaluated as part of the final dividend determination, consistent with Ofwat guidance on excluding inflation-driven impacts.
- **A financial resilience smoothing adjustment** of £58.7m has been applied, resulting in a post adjustment dividend of £103.6m equivalent to a 4% regulatory yield on the actual structure. This reflects the Board's judgement that maintaining investment grade credit ratings and access to finance is critical; the scale and uncertainty of the AMP8 investment programme requires a prudent approach and dividends should be calibrated to ensure appropriate retention of earnings where needed. The Company's financial resilience is further supported by a £400m equity injection from shareholders, demonstrating ongoing commitment to the business.

In reaching its decision on the interim dividend, the Board has considered the requirements of the dividend policy and Licence Condition, including performance for customers and the environment, broader obligations and long- term financial resilience.

- **Customer and environment** – the Company was forecast to deliver a net ODI reward position, reflecting strong performance across a number of key performance commitments including customer service, sewer flooding and bathing water quality outcomes. While certain environmental metrics remain under pressure (including EPA rating), overall performance provides positive evidence for customers and the environment.
- **Obligations** – the Board considered ongoing regulatory and legal matters, including environmental investigations and associated investment commitments and is satisfied that the Company was continuing to meet its obligations and respond appropriately to regulatory requirements.
- **Financial resilience** – the Company remained financially resilient, supported by significant distributable reserves; strong forecast profitability and a committed £400m equity injection from shareholders. The application of a financial resilience smoothing adjustment ensures that dividends remain consistent with maintaining investment grade credit metrics and support the delivery of the AMP8 capital programme.

The Board was satisfied that, in the round, the interim dividend paid in respect of 2025/26 appropriately reflected the Company's financial and operational performance; is consistent with the dividend policy and Licence Condition P30; and strikes an appropriate balance between shareholder returns, customer outcomes and long-term financial resilience.

Final dividend for the year ended 31 March 2026

A final dividend of £56.2m has been approved in respect of the year ended 31 March 2026. Together with the interim dividend of £46.3m, this represents a total dividend of £102.5m for the year, equivalent to 4.0% dividend yield on regulatory equity (actual structure).

The final dividend has been determined by reference to the Company's full year audited financial and operational performance, applied in accordance with the dividend policy.

The Board emphasises that the dividend has not been determined mechanistically by reference to regulatory metrics. The policy framework provides a structured basis for assessment; however, the final decision reflects the Board's judgement having considered performance in the round, including financial resilience, investment needs and obligations to customers and the environment, taking into account both the notional regulatory framework and the Company's actual capital structure and financial position.

The total dividend paid in respect of 2025/26 comprised the elements of the dividend policy as set out in the table below.

£m	2025/26 actual
Base return	159.4

Totex performance	(68.6)
ODI performance	40.6
Disposals	-
Financing performance (including inflation)	48.6
Total return including performance	**180.0**
Financial resilience smoothing adjustment brought forward	-
Financial resilience smoothing adjustment carried forward	(77.5)
Total dividend in respect of 2025/26	**102.5**

- **Base return** reflects the real cost of equity based on the capital structure as established in the Final Determination (as updated through the CMA Final Determination). This is the base return that NWLs shareholders receive for the c.£[2.6]bn of equity capital that is currently deployed in NWL and reflecting the risk of that investment.

- **Totex performance** represents the Company's share of wholesale performance, as set out in table 4C, and Retail costs compared to the Final Determination (as updated through the CMA Final Determination) allowance. The regulatory framework includes a cost sharing mechanism, under which 50% of standard base cost under- or overspend is shared with customers. The base return above needs to be adjusted for totex performance. This reflects a material underperformance driven by base totex expenditure above allowances across both opex and capital maintenance, consistent with funding pressures identified in the CMA Final Determination.

- **ODI performance** reflects the rewards and penalties for the year reported in table 3H plus an estimate of the C-MeX and D-MeX rewards which will be received for performance in 2024/25. Water companies are required to deliver stretching service levels to customers and rewarded 'Outcome Delivery Incentives' (ODIs) if they exceed those targets or incur penalties if they fail to meet them. Incentives are set broadly based on customers' willingness to pay for improvement or avoid service deterioration. The performance in the year has generated a net reward (higher than forecast at the interim stage) to be added to the base return, driven by strong performance in customer service (C-MeX and D-MeX), internal and external sewer flooding and bathing water quality. These rewards are partially offset by penalties in respect of drinking water quality (CRI), pollution performance and interruptions to supply.

- **Land sales** reflects the company's share of land sales as reported in table 2L (i.e. where NWL has sold land the proceeds from this are shared 50:50 with customers).

- **Financing performance** relates to the costs of financing and tax compared to allowances, as reported in table 1F. Every five years Ofwat sets a framework to allow companies to recover the efficient cost of financing their investment programmes. Where companies are able to raise finance more efficiently than assumed, both the Company and customers share in the benefit; where costs are higher, penalties are incurred. The financing performance included in the return is calculated in accordance with the Company's dividend policy and therefore includes all elements of financing performance, including inflation. This reflects outcomes arising from the Company's financing strategy and Board decisions, including maintaining a lower proportion of index-linked debt relative to the sector and achieving borrowing costs below those assumed in the Final Determination. Consistent with Ofwat guidance, the Board has considered the extent to which financing outperformance is distributable. While financing performance is included in the overall return, elements driven by inflation do not give rise to distributable profits. The Board has therefore taken this into account in determining the final dividend in the round, alongside financial resilience and investment requirements.

- **Smoothing adjustment** takes account of future investment needs at an early stage of AMP8, which represents a significant step change in capital investment to deliver the Company's obligations and maintain the health and resilience of the asset base.

In reaching its decisions on dividends, the Board took account of performance for customers and the environment, its broader obligations and longer term financial resilience.

- **Customer and environment** – the Company performed strongly overall, with leading customer service performance across C-MeX and D-MeX, good delivery against sewer flooding targets and continued progress on key operational measures, including greenhouse gas reduction. The Board recognises that performance remains challenging in a number of areas, including CRI, interruptions to supply and pollution, and targeted action plans are in place to drive improvement.
- **Obligations** – the Board has confirmed that it considers the Company is meeting its relevant obligations in its Risk and Compliance Statement on page [XX].
- **Financial resilience** – the Directors have confirmed the Company's financial resilience up to 2035 as described in the Viability Statement (which can be found in full in Northumbrian Water Limited Annual Report and Financial Statements 2025/26) which remains consistent with investment grade credit ratings. Shareholders injected £400m into the business on 31 March 2026, demonstrating their ongoing support for the Company's financial resilience. In determining the dividend, the Board has taken into account the scale and phasing of the AMP8 investment programme and the associated funding requirements, particularly at an early stage of the AMP where investment pressures are most acute. The Board has therefore taken a prudent approach to distributions to ensure an appropriate balance between shareholder returns and the need to maintain financial resilience. This reflects the need to maintain appropriate headroom against credit rating thresholds and ensure continue access to finance. The dividend paid for the year is lower than the total return generated and therefore results in the retention of earnings within the business, supporting equity levels and strengthening long-term financial resilience.

The Board is satisfied that, in the round, the dividends paid in respect of 2025/26 fairly represent the Company's overall performance for its customers and stakeholders and take full account of the dividend policy, Licence Condition P30 and the associated guidance.

INDEPENDENT AUDITOR'S REPORT TO THE WATER SERVICES REGULATION AUTHORITY (THE WSRA) AND THE DIRECTORS OF NORTHUMBRIAN WATER LIMITED

Opinion

We have audited the sections of Northumbrian Water Limited's Annual Performance Report for the year ended 31 March 2026 ("the Regulatory Accounting Statements") which comprise:

• the regulatory financial reporting tables comprising the income statement (table 1A), the statement of comprehensive income (table 1B), the statement of financial position (table 1C), the statement of cash flows (table 1D), the net debt analysis (table 1E), lines 1F.1 to 1F.8, 1F.11 to 1F.14, 1F.20 1F.23 to 1F.23 of the statement of financial flows (table 1F) and the related notes; and

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

We have not audited lines IF.8, IF.9, IF.10, 1F.15 to 1F.22 and 1F.25 of the statement of financial flows (table 1F), the cash collection performance rates (table 2H), the Outcome performance table (tables 3A to 3J) or the additional regulatory information in tables 4A to 4AD, 5A, 6A to 6F, 7A to 7L, 8A to 8D, 9A, and 11A to B.

In our opinion, Northumbrian Water Limited's Regulatory Accounting Statements have been prepared, in all material aspects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA (RAG 1.10, RAG 2.10, RAG 3.16, RAG 4.14 and RAG 5.07) and the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.16, appendix 2) set out on page [XX].

Basis for opinion

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

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

Emphasis of matter – special purpose basis of preparation

We draw attention to the fact that the Regulatory Accounting Statements have been

prepared in accordance with a special purpose framework, Condition F, the Regulatory Accounting Guidelines, the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.16, appendix 2) set out in the statement of accounting policies and under the historical cost convention. The nature, form and content of the Regulatory Accounting Statements are determined by the WSRA. As a result, the Regulatory Accounting Statements may not be suitable for another purpose. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA's purposes. Accordingly, we make no such assessment. In addition, we are not required to assess whether the methods of cost allocation set out in the accounting methodology statement are appropriate to the circumstances of the Company or whether they meet the requirements of the WSRA.

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

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

Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

• Understand and challenge how management has considered the current challenges in the sector and economy, and the impact on the going concern assessment;

• Challenge assumptions used in forecasts including ensuring consistency of the forecasts with the PR 24 submissions;

• Assess the appropriateness of management's model;

• Assess financing facilities including availability and access as at yearend and compliance with covenants in the financing facilities;

• Evaluate the amount of headroom in forecasts, particularly cash and covenants;

• Perform sensitivity analysis over key assumptions to assess impact on

• headroom; and

• Evaluated the appropriateness of disclosure in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the 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.

Other information

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

In connection with our audit of the Regulatory Accounting Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Regulatory Accounting Statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Regulatory Accounting Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report based on these responsibilities.

Responsibilities of the Directors for the Regulatory Accounting Statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the Regulatory Accounting Statements in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA and the Company's accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.16, appendix 2).

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

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

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

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

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

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

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

• Had a direct effect on the determination of material amounts and disclosures in the Regulatory Accounting Statements. These included Regulatory Accounting Guidelines as issued by the WRSA, UK Companies Act, pensions legislation and tax legislation; and

• do not have a direct effect on the Regulatory Accounting Statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's operating licence, regulatory solvency requirements and environmental regulations.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

• reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;

• performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

• enquiring of management, audit committee and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and

• reading minutes of meetings of those charged with governance, reviewing internal audit reports, reviewing correspondence with HMRC and WSRA.

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

Use of this report

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

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

Deloitte LLP

London, United Kingdom

15 July 2026

3A Outcome performance – All performance commitments

Line description	Unit	Performance level - actual	PCL met? (Yes/No)	Outperformance or underperformance payment	Total 2025-30 outperformance or underperformance payment
				£m	£m
Common PCs - Water (Financial)					
Biodiversity	Biodiversity units gained	0.05	Yes	0.30	-3.40
Business demand	Three-year average business demand (Ml/d)	3.3	Yes	3.06	-0.89
Compliance risk index (CRI)	Number	3.90	No	-2.92	-19.05
Customer contacts about water quality	Number of customer contacts per 1000 population	1.02	No	-0.39	-0.54
Discharge permit compliance	% compliance	98.52	No	-0.31	-4.26
Greenhouse gas emissions (water)	% reduction in greenhouse gas emissions	-6.97	No	-2.33	-2.96
Leakage NW region	% reduction of three-year average leakage (Ml/d)	14.2%	Yes	0.06	-0.14
Leakage ESW region	% reduction of three-year average leakage (Ml/d)	19.7%	Yes	0.15	-0.34
Repairs to burst mains	Number of mains repairs per 1,000km	151.2	No	-3.76	-1.91
Per capita consumption	% reduction of three-year average PCC in (l/person/d)	-1.6	No	-3.29	-18.14
Serious pollution incidents	Number of serious pollution incidents	2	No	-1.56	-1.56
Unplanned outage	% loss of company peak week production capacity	1.65	Yes	4.63	6.15
Water supply interruptions	average number of minutes lost per customer	06:35	Yes	1.12	2.47
Common PCs - Wastewater (Financial)					
Bathing water quality	Number average bathing water quality score	83.2	Yes	6.21	5.72
External sewer flooding	Number of external sewer flooding incidents per 10,000 sewer connection	16.25	Yes	13.79	23.22

Greenhouse gas emissions (wastewater)	% reduction in greenhouse gas emissions	24.3	Yes	1.56	0.87
Internal sewer flooding	Number of internal sewer flooding incidents per 10,000 sewer connection	0.54	Yes	11.90	22.59
Sewer collapses	Number of sewer collapses per 1,000 km of all sewers	6.42	Yes	0.63	-0.39
Storm overflows	Average number of spills per storm overflow	22.70	No	-0.50	-9.05
Total pollution incidents	Pollution incidents per 10,000 km of sewer length	50.29	No	-6.66	-7.61
Common PCs- Non-financial					
River water quality	% reduction of phosphorus emissions into river catchment	-13.99	Yes		
Financial water performance commitments achieved	%	46			
Financial wastewater performance commitments achieved	%	71			
Overall financial common performance commitments achieved (excluding BR-MeX)	%	55			
Bespoke performance commitments achieved	%				
Non-financial performance commitment achieved	%	100			
Total performance commitments achieved	%	57			

3B Underlying data - measures of experience performance commitments

Line description	Unit	Value
Business customer and retailer measure of experience (BR-MeX)		
Annual customer satisfaction score for the Business customer contact survey (B-Mex)	Number	80.81
Annual retailer satisfaction score for the Retailer experience survey (R-Mex)	Number	84.46
Annual MPF Score	Number	88.49
Annual BR-MeX score	Number	83.64
Customer measure of experience (C-MeX)		
Annual customer satisfaction score for the customer service survey	Number	74.69
Annual customer satisfaction score for the customer experience survey	Number	76.14
Annual C-MeX score	Number	75.17
Total household complaints	Number	9661.00
Total connected household properties	Number	2,099,409
Total household complaints per 10,000 connections	Number	46.02
Developer measure of experience (D-MeX)		
Developer satisfaction (small developers) qualitative component annual results	Number	78.48
Developer satisfaction (large developers) qualitative component annual results	Number	81.32
Quantitative component annual results	Number	99.73
D-MeX score	Number	86.50

Levels of service performance metrics	Unit	Reporting period (1 April to 31 March)

Calculating the D-MeX quantitative component		
W1.1	%	99.10%
W3.1	%	100.00%
W4.1	%	99.98%
W6.1	%	100.00%
W7.1	%	100.00%
W8.1	%	100.00%
W17.1	%	100.00%
W17.2	%	100.00%
W18.1	%	100.00%
S7.1	%	100.00%
SN2.2	%	100.00%
SAM 3/1	%	100.00%
SLPM S1/2	%	100.00%
SLPM S2/2a	%	100.00%
SLPM S2/2b	%	100.00%
SLPM S3	%	100.00%
SLPM S4/1	%	96.00%
SLPM S7/1	%	99.20%
WN1.1	%	100.00%
WN2.2	%	100.00%
WN4.1	%	100.00%

D-MeX quantitative score (for the reporting period)	%	99.73%

3C Underlying calculations and supplementary data - customer facing performance commitments

Line description	Unit	Standardising data indicator	Standardising data numerical value	Performance level - actual (current reporting year)	Performance level - Calculated (i.e. standardised)
Performance commitments set in standardised units					
Internal sewer flooding					
Internal sewer flooding - customer proactively reported	Number of internal sewer flooding incidents per 10,000 sewer connections	Number of sewer connections (thousands)	1329.47	70.00	0.53
Internal sewer flooding - company reactively identified (ie neighbouring properties)	Number of internal sewer flooding incidents per 10,000 sewer connections	Number of sewer connections (thousands)	1329.47	2.00	0.02
Internal sewer flooding	Number of internal sewer flooding incidents per 10,000 sewer connections	Number of sewer connections (thousands)	1329.47	72.00	0.54
External sewer flooding					
External sewer flooding - customer proactively reported	Number of external sewer flooding incidents per 10,000 sewer connections	Number of sewer connections (thousands)	1329.47	1965.00	14.78
External sewer flooding - company reactively identified (ie neighbouring properties)	Number of external sewer flooding incidents per 10,000 sewer connections	Number of sewer connections (thousands)	1329.47	195.00	1.47
External sewer flooding	Number of external sewer flooding incidents per 10,000 sewer connections	Number of sewer connections (thousands)	1329.47	2160.00	16.25

Customer contacts about water quality					
Customer contacts - taste and odour	Number of contacts per 1,000 resident population	Resident population (thousands)	4673.80	984.000	0.21
Customer contacts - appearance	Number of contacts per 1,000 resident population	Resident population (thousands)	4673.80	3794.00	0.81
Customer contacts about water quality	Number of contacts per 1,000 resident population	Resident population (thousands)	4673.80	4778.00	1.02

Line description	Unit	Standardising data indicator	Standardising data numerical value	Total minutes lost	Number of properties supply interrupted	Calculated performance level
Water supply interruptions						
Water supply interruptions (≥3 hours)	Average number of minutes lost per property per year	Number of properties (thousands)	2115.59	13921381	42,119	00:06:35
Water supply interruptions (≥6 hours)	Average number of minutes lost per property per year	Number of properties (thousands)	2,116	6366140	11,858	00:03:01
Water supply interruptions (≥12 hours)	Average number of minutes lost per property per year	Number of properties (thousands)	2,116	1238587	1,132	00:00:35
Water supply interruptions (≥24 hours)	Average number of minutes lost per property per year	Number of properties (thousands)	2,116	223835	24	00:00:06

3C Supplementary data - customer experience common performance commitments

Line description	Unit	Performance level - Actual (current reporting year)
Internal sewer flooding		
Number of internal sewer flooding incidents with a root cause of hydraulic overloading	Number	7.00
Number of internal sewer flooding incidents with root cause of sewer blockage	Number	57.00
Number of internal sewer flooding incidents with root cause of sewer collapse	Number	0.00
Number of internal sewer flooding incidents with root cause of equipment failure	Number	8.00
Number of internal sewer flooding incidents with root cause not specified above	Number	0.00
Number of properties that have experienced more than one internal sewer flooding incident within the last year	Number	0.00
Total number of internal sewer flooding incidents arising from properties that have experienced more than one internal sewer flooding incident within the last year	Number	0.00
Number of properties that have experienced more than one internal sewer flooding incident within the last three years	Number	26.00
Total number of internal sewer flooding incidents arising from properties that have experienced more than one internal sewer flooding incident within the last three years	Number	55.00
Number of properties that have experienced more than one internal sewer flooding incident within the last five years	Number	56.00
Total number of internal sewer flooding incidents arising from properties that have experienced more than one internal sewer flooding incident within the last five year	Number	123.00

External sewer flooding		
Number of external sewer flooding incidents with a root cause of hydraulic overloading	Number	59.00
Number of external sewer flooding incidents with root cause of sewer blockage	Number	2076.00
Number of external sewer flooding incidents with root cause of sewer collapse	Number	19.00
Number of external sewer flooding incidents with root cause of equipment failure	Number	6.00
Number of external sewer flooding incidents with root cause not specified above	Number	0.00
Number of properties that have experienced more than one external sewer flooding incident within the last year	Number	86.00
Total number of external sewer flooding incidents arising from properties that have experienced more than one external sewer flooding incident within the last year	Number	190.00
Number of properties that have experienced more than one external sewer flooding incident within the last three years	Number	566.00
Total number of external sewer flooding incidents arising from properties that have experienced more than one external sewer flooding incident within the last three years	Number	1333.00
Number of properties that have experienced more than one external sewer flooding incident within the last five years	Number	1346.00
Total number of external sewer flooding incidents arising from properties that have experienced more than one external sewer flooding incident within the last five years	Number	3236.00

3D Underlying calculations and supplementary data - demand common performance commitments

Line description	Units	2017-18 baseline	2018-19 baseline	2019-20 baseline	2023-24	2024-25	2025-26
Leakage - company level							
Annual average leakage	Ml/d	202.7	199.9	197.5	170.8	171.8	161.7
Three-year average leakage	Ml/d			200.0			168.1
% reduction in 3 - year average leakage from 2019-20 baseline	%						16.0%
Leakage - region 1							
Annual average leakage	Ml/d	135.8	135.0	133.6	120.0	117.1	110.1
Three-year average leakage	Ml/d			134.8			115.7
% reduction in 3 - year average leakage from 2019-20 baseline	%						14.2%
Leakage - region 2							
Annual average leakage	Ml/d	66.9	64.9	63.9	50.8	54.8	51.6
Three-year average leakage	Ml/d			65.2			52.4
% reduction in 3 - year average leakage from 2019-20 baseline	%						19.7%
Per capita consumption- company level							
Annual average PCC	l/h/d	148.7	153.6	149.6	152.4	151.7	154.9
Three-year average PCC	l/h/d			150.6			153.0
% reduction in 3 - year average PCC from 2019-20 baseline	%						-1.6%
Annual household consumption level	Ml/d						757.3
Total household population	000s						4888.6
Per capita consumption- region 1							
Annual average PCC	l/h/d	143.4	148.9	145.5	151.9	150.3	155.4
Three-year average PCC	l/h/d			145.9			152.5
% reduction in 3 - year average PCC from 2019-20 baseline	%						-4.5%
Annual household consumption level	Ml/d						429.2
Total household population	000s						2762.2

Per capita consumption- region 2							
Annual average PCC	l/h/d	155.7	159.8	155.0	153.2	153.4	154.3
Three-year average PCC	l/h/d			156.8			153.7
% reduction in 3 - year average PCC from 2019-20 baseline	%						2.0%
Annual household consumption level	Ml/d						328.1
Total household population	000s						2126.4

Business demand - company level - performance							
Annual average business demand (incl. voids)	Ml/d	221.9	221.3	218.2	213.6	212.4	213.6
Three-year average business demand (incl. voids)	Ml/d			220.5			213.2
% reduction in 3 - year average business demand from 2019-20 baseline (incl. voids)	%						3.3%
Annual average business consumption (excl. voids)	Ml/d						208.7
Annual average business voids consumption	Ml/d						4.9

Business demand - company level - annual changes							
Annual average business demand (incl. voids) variance of reporting year from previous year	Ml/d						1.2
Increase in business demand in reporting year due to new business demand (new supply points).	Ml/d						0.3
Changes in existing business demand (existing supply points) in reporting year compared to previous year.	Ml/d						2.0

Business demand - region 1 level - performance							
Annual average business demand (incl. voids)	Ml/d	145.1	145.6	143.6	136.7	134.4	136.4
Three-year average business demand (incl. voids)	Ml/d			144.8			135.9
% reduction in 3 - year average business demand from 2019-20 baseline	%						6.1%
Annual average business consumption (excl. voids)	Ml/d						133.3
Annual average business voids consumption	Ml/d						3.1

Business demand - region 1 - annual changes							
Annual average business demand (incl. voids) variance of reporting year from previous year	Ml/d						2.0
Increase in business demand in reporting year due to new business demand (new supply points).	Ml/d						0.2
Changes in existing business demand (existing supply points) in reporting year compared to previous year.	Ml/d						1.7

Business demand - region 2 level - performance							
Annual average business demand (incl. voids)	Ml/d	76.8	75.7	74.6	76.8	77.9	77.1
Three-year average business demand (incl. voids)	Ml/d			75.7			77.3
% reduction in 3 - year average business demand from 2019-20 baseline	%						-2.1%
Annual average business consumption (excl. voids)	Ml/d						75.3
Annual average business voids consumption	Ml/d						1.8

Business demand - region 2 - annual changes							
Annual average business demand (incl. voids) variance of reporting year from previous year	Ml/d						-0.8
Increase in business demand in reporting year due to new business demand (new supply points).	Ml/d						0.1
Changes in existing business demand (existing supply points) in reporting year compared to previous year.	Ml/d						0.3

3E Underlying calculations and supplementary data - environmental common performance commitments

Line description	Unit	Standardising data indicator	Standardising data numerical value	Performance level - Actual (current reporting year)	Performance level - Calculated (i.e. standardised)
Serious pollution incidents					
Number of serious pollution incidents (water)	Number			0	0
Number of serious pollution incidents (wastewater)	Number			2	2
Number of serious pollution incidents	Number			2	2
Total pollution incidents					
Pollution incidents - category 1 (wastewater)	Number of pollution incidents per 10,000 km of sewer length	Sewer length in km	30026.00	0.00	0.00
Pollution incidents - category 2 (wastewater)	Number of pollution incidents per 10,000 km of sewer length	Sewer length in km	30026.00	2.00	0.67
Pollution incidents - category 3 (wastewater)	Number of pollution incidents per 10,000 km of sewer length	Sewer length in km	30026.00	149.00	49.62
Pollution incidents - dry day spills	Number of pollution incidents per 10,000 km of sewer length	Sewer length in km	30026.00	479.00	159.53
Pollution incidents - Total (wastewater)	Number of pollution incidents per 10,000 km of sewer length	Sewer length in km	30026.00	151.00	50.29

Storm overflows					
Total number of monitored spills	Number			27756.0	
Total number of storm overflows	Number			1568.00	
Uptime	% EDM uptime			95.00%	
Average number of spills per overflow – monitored	Number				17.70
Unmonitored storm overflows adjustment	Number				5
Average number of spills per overflow - with unmonitored adjustment	Number				22.70

Line description	Unit	Standardising data indicator	Standardising data numerical value	Performance level - Actual (current reporting year)	Performance level - Calculated (i.e. standardised)	PC definition weighting
Bathing water quality						
Number of 'poor' bathing waters	Bathing water quality score	Number of bathing sites		2.0	0.0	0
Number of 'sufficient' bathing waters	Bathing water quality score	Number of bathing sites		2.0	0.7	0.33
Number of 'good' bathing waters	Bathing water quality score	Number of bathing sites		7.0	4.6	0.66
Number of 'excellent' bathing waters	Bathing water quality score	Number of bathing sites		23.0	23.0	1
Bathing water quality	Bathing water quality score	Total number of bathing sites	34.0		83.2	

Line description	Unit	Standardi-sing data indicator	Standardisi-ng data numerical value	Baseline	Current reporting year	Performance level - Net change	Performance level - Calculated (i.e. standardised)
Biodiversity							
Biodiversity net change - area	Net change in biodiversity per 100km2	Company land area (100km2)	210.98	10.33	18.68	8.35	0.04
Biodiversity net change - hedgerow	Net change in biodiversity per 100km2	Company land area (100km2)	210.98	0.00	2.40	2.40	0.01
Biodiversity net change - river	Net change in biodiversity per 100km2	Company land area (100km2)	210.98	0.00	0.00	0.00	0.00
Biodiversity net change - total	Net change in biodiversity per 100km2	Company land area (100km2)	210.98	10.33	21.08	10.75	0.05
River water quality							
Phosphorus emitted from treatment works that had a phosphorus limit for the latest calendar year.	% reduction in phosphorus emissions	2020 baseline	246510.15	79375.25	44899.10	-34476.16	-0.14
Phosphorus prevented from entering rivers from partnership working	% reduction in phosphorus emissions	2020 baseline	246510.15	0.00	0.00	0.00	0.00
Reduction in phosphorus	% reduction in phosphorus emissions	2020 baseline	246510.15	79375.25	44899.10	-34476.16	-0.14

Line Description	Unit	Actual tCO2e
Operational greenhouse gas emissions (water)		
Scope one emissions		
Direct emissions from burning of fossil fuels (location-based)	tCO2e	1432.90
Process and fugitive emissions (incl. refrigerants)	tCO2e	0.00
Emissions from vehicle transport (owned or leased)	tCO2e	4461.58
Emissions from land	tCO2e	0.00
Total scope one emissions	tCO2e	5894.48
Scope two emissions		
Purchased electricity (location-based)	tCO2e	45675.83
Purchased heat	tCO2e	0.00
Electric vehicles	tCO2e	0.46
Removal of electricity to charge electric vehicles	tCO2e	0.00
Total scope two emissions	tCO2e	45676.29
Scope three emissions		
Business travel on public transport and private vehicles used for company business	tCO2e	445.08
Outsourced activities	tCO2e	379.91
Purchased electricity: extraction, production, transmission and distribution (location based)	tCO2e	16101.57
Purchased heat: extraction, production, transmission and distribution	tCO2e	0.00
Purchased fuels: extraction, production, transmission and distribution	tCO2e	1903.43
Chemicals	tCO2e	39685.14
Total scope three emissions	tCO2e	58515.12
Emissions reductions		
Exported renewables (generated onsite and exported)	tCO2e	314.06
Exported biomethane (generated onsite and exported)	tCO2e	0.00

Insets	tCO2e	0.00
Total emissions reductions	tCO2e	314.06
Baseline tCO2e (2024-2025)	tCO2e	102615.63
Gross emissions	tCO2e	110085.90
Net emissions	tCO2e	109771.84
Percentage reduction from 2024-25 baseline (tonnes CO2e)	%	-0.07
Emissions by base expenditure	tCO2e	109771.84
Emissions by enhancement expenditure	tCO2e	0.00
Emissions by net zero enhancement scheme	tCO2e	0.00

Operational greenhouse gas emissions (wastewater)		
Scope one emissions		
Direct emissions from burning of fossil fuels (location-based)	tCO2e	32100.99
Process and fugitive emissions (incl. refrigerants)	tCO2e	30778.71
Emissions from vehicle transport (owned or leased)	tCO2e	2290.77
Emissions from land	tCO2e	0.00
Total scope one emissions	tCO2e	65170.47
Scope two emissions		
Purchased electricity (location-based)	tCO2e	23611.32
Purchased heat	tCO2e	0.00
Electric vehicles	tCO2e	0.77
Removal of electricity to charge electric vehicles	tCO2e	0.00
Total scope two emissions	tCO2e	23612.09
Scope three emissions		
Business travel on public transport and private vehicles used for company business	tCO2e	445.08
Outsourced activities	tCO2e	522.71
Purchased electricity: extraction, production, transmission and distribution (location based)	tCO2e	8323.42
Purchased heat: extraction, production, transmission and distribution	tCO2e	0.00

Purchased fuels: extraction, production, transmission and distribution	tCO2e	6569.34
Chemicals	tCO2e	5318.36
Disposal of waste	tCO2e	4545.15
Total scope three emissions	tCO2e	25724.06
Emissions reductions		
Exported renewables (generated onsite and exported)	tCO2e	135.61
Exported biomethane (generated onsite and exported)	tCO2e	23013.88
Insets	tCO2e	0.00
Total emissions reductions	tCO2e	23149.49
Baseline tCO2e (2024-2025)	tCO2e	120685.79
Gross emissions	tCO2e	114506.62
Net emissions	tCO2e	91357.12
Percentage reduction from 2024-25 baseline (tonnes CO2e)	%	24.3
Emissions by base expenditure	tCO2e	91357.12
Emissions by enhancement expenditure	tCO2e	0.00
Emissions by net zero enhancement scheme	tCO2e	0.00

Additional supplementary data - environmental common performance commitments

Line description	Unit	Performance level - Actual (current reporting year)
Storm overflows		
Average spills per overflow performance assuming 100% monitoring	Average spills per storm overflow	18.63
Spills under verified trial conditions	Total spills - number	0.00
Spills outside of verified trial conditions	Total spills - number	27756.00

3F Underlying calculations- asset health common performance commitments

Line description	Unit	Standardising data indicator	Standardising data numerical value	Performance level - Actual (current reporting year)	Performance level - Calculated (i.e. standardised)
Repairs to burst mains					
Mains repairs - Reactive	Mains repairs per 1,000km	Mains length in km	26495.2	3455.0	130.4
Mains repairs - Proactive	Mains repairs per 1,000km	Mains length in km	26495.2	552.0	20.8
Mains repairs	Mains repairs per 1,000km mains length	Mains length in km	26495.2	4007.0	151.2
Sewer collapses					
Sewer collapses	Number of sewer collapses per 1,000km of all sewers	Sewer length in km	30383.00	195.00	6.42

Line description	Unit	Current company level peak week production capacity (PWPC) Ml/d	Reduction in company level PWPC Ml/d	Outage proportion of PWPC %
Unplanned outage				
Unplanned outage	% loss of company peak week production capacity	1555.03	25.72	0.02

3G Underlying calculations- compliance based common performance commitments

Line description	Unit	Standardising data indicator	Standardising data numerical value	Performance level - Actual (current reporting year)	Performance level - Calculated (i.e. standardised)
Discharge permit compliance					
Discharge permit compliance (water)	% permit compliance	Number of numeric discharge permits (water)	46.00	0.00	100.0
Discharge permit compliance (wastewater)	% permit compliance	Number of numeric discharge permits (wastewater)	157.00	3.00	98.09
Discharge permit compliance	% permit compliance	Number of numeric discharge permits (total)	203.00	3.00	98.52
Compliance risk index					
Water treatment works compliance risk index score	Number			0.56	
Service reservoirs compliance risk index score	Number			0.12	
Supply points compliance risk index score	Number			0.83	
Customer zones compliance risk index score	Number			2.38	
Compliance risk index	Number				3.90

Additional Regulatory Information

This section contains additional regulatory information required by RAG 3.14.

However, some tables have not been included from this report either because their size or because of the technical nature of their content. These tables, which are listed below, can be found on our website, alongside this report.

4AC	Base expenditure – water asset refurbishment and replacement
4AD	Base expenditure – wastewater asset refurbishment and replacement
4B	Analysis of debt
4L-M	Enhancement expenditure
4P	Infrastructure network reinforcement projects for the 2025-30 period
4Q	Developer services – Non-financial information
4R	Properties, customers and population – non-financial information
4S-U	Green Recovery tables – not applicable to NWL
4X-Y	Accelerated infrastructure delivery project expenditure
4Z	Household bill reduction schemes
5A	Water resources – asset and volumes data
5B	Water resources - operating cost analysis
6A	Raw water transport, raw water storage, and water treatment data
6B	Treated water distribution – assets and operations
6C	Water network+ – mains, communication pipes and other data
6D	Demand management – metering and leakage activities
6E	Leakage activity detailed analysis
6F	WRMP annual reporting on delivery - non-leakage activities
7A	Wastewater network+ – functional expenditure
7B	Wastewater network+ – large sewage treatment works
7C	Wastewater network+ – sewer and volume data
7D	Wastewater network+ – sewage treatment works data
7E	Wastewater network+ – energy consumption and other data
7F	Wastewater network+ - WINEP phosphorus removal scheme costs and cost drivers
8A	Bioresources – sludge data
8B	Bioresources – operating expenditure analysis
8C	Bioresources – energy and liquors analysis
8D	Bioresources – sludge treatment and disposal data
10A-E	Green Recovery tables – not applicable to NWL

11A Operational greenhouse gas emissions reporting

4A WATER BULK SUPPLY INFORMATION for the 12 months ended 31 March 2026

	Volume	Operating costs	Revenue
	Ml	£m	£m
Bulk supply exports			
(NESBWE14) Thames Water	-	-	1.9
(NESBWE12) Leep Utilities - Barking	469.5	0.4	0.8
(NESBWE11) Anglian Water (Stour - Tiptree)	417.2	0.3	0.5
(NESBWE9) United Utilities Water	278.6	0.3	0.3
(NESBWE6) Anglian Water (Maldon)	166.1	0.2	0.2
(NESBWE20) IWNL (Limebrook Way)	97.6	0.1	0.3
(NESBWE19) IWNL (Malyon's Lane)	71.7	0.1	0.1
(NESBWE17) Anglian Water (2 Sisters Buxted Chickens)	69.5	0.1	0.1
(NESBEW30) IWNL (Cell A)	77.5	0.1	0.1
IWNL - Gascoigne West Phase 2	61.5	0.2	0.1
(NESBWE13) Anglian Water (Woods Meadow Oulton)	67.3	0.1	0.1
(NESBEW28) IWNL (West Benton)	48.7	-	0.1
IWNL - Ashingdon Road, Rochford	32.5	-	0.1
IWNL - Low Grange Farm, Middlesbrough	39.2	-	0.1
(NESBWE15) Albion Water (Five Oaks)	34.1	-	-
IWNL - Chapelgarth, Sunderland	33.0	-	-
(NESBWE18) IWNL - Throckley	33.9	-	-
(NESBEW27) IWNL(Howdon Green)	31.5	-	-
(NESBWE5) Anglian Water (Layer)	26.1	-	-
ESP WATER (Burdon Lane, Sunderland)	33.5	-	-
INWL (Percy Drive, Amble)	26.1	-	-
(NESBWE21) Marsh Road, Burnham	19.9	-	-
(NESBEW29) IWNL (Edder Acres)	25.3	-	-
IWNL - Rake House Farm, Murton	21.6	-	-
All Others	393.4	0.4	0.5
Total bulk supply exports	2,575.5	2.4	5.6
Bulk supply imports			
(NESBWI2) Anglian Water (Cressing)	375.5	0.4	-
(NESBWE14) Thames Water	30,370.0	2.4	-
(NESVW13) - UUW	0.6	-	-
(NESBWI3) Anglian Water (Hartismere)	-	-	-
(NESBWI4) Anglian Water (Wynyard)	31.2	-	-
Anglian Water - Rising Way, Martham	34.8	0.1	-
Total bulk supply imports	30,812.0	2.9	-

4C IMPACT OF PRICE CONTROL PERFORMANCE TO DATE ON RCV for the 12 months ended 31 March 2026

	12 months ended 31 March 2026				Price control period to date			
	Water resources	Water network plus	Wastewater network plus	Bioresources	Water resources	Water network plus	Wastewater network plus	Bioresources
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Standard base								
Final determination allowed totex	40.2	299.0	188.4	36.7	40.2	299.0	188.4	36.7
Actual totex	43.2	392.3	227.9	10.4	43.2	392.3	227.9	10.4
Disallowable costs	-	-	8.4	-	-	-	8.4	-
Total actual totex	43.2	392.5	210.6	10.8	43.2	392.5	210.6	10.8
Variance	3.0	93.5	22.2	(25.9)	3.0	93.5	22.2	(25.9)
Variance due to timing of expenditure	-	-	-	-	-	-	-	-
Variance due to efficiency	3.0	93.5	22.2	(25.9)	3.0	93.5	22.2	(25.9)
Customer cost sharing rate - outperformance	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Customer cost sharing rate - underperformance	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Company share of totex outperformance	-	-	-	(13.0)	-	-	-	(13.0)
Customer share of totex underperformance	1.5	46.7	15.5	-	1.5	46.7	15.5	-
Business rates								
Final determination allowed totex	3.4	21.5	10.4	2.2	3.4	21.5	10.4	2.2
Actual totex	3.2	20.3	9.1	1.9	3.2	20.3	9.1	1.9
Variance	(0.2)	(1.2)	(1.3)	(0.3)	(0.2)	(1.2)	(1.3)	(0.3)
Customer cost sharing rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Company share of outperformance	-	(0.1)	(0.1)	-	-	(0.1)	(0.1)	-
Company share of underperformance	-	-	-	-	-	-	-	-
Abstraction charges and discharge consents								
Final determination allowed totex	53.4	0.4	8.0	-	53.4	0.4	8.0	-
Actual totex	57.0	0.5	9.0	-	57.0	0.5	9.0	-
Variance	3.6	0.1	1.0	-	3.6	0.1	1.0	-
Company cost sharing rate	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Company share of outperformance	-	-	-	-	-	-	-	-
Company share of underperformance	0.9	-	0.3	-	0.9	-	0.3	-
Standard enhancement								
Final determination allowed totex	18.0	91.3	227.8	8.5	18.0	91.3	227.8	8.5

Actual totex	4.9	40.7	95.6	9.4	4.9	40.7	95.6	9.4
Disallowable costs	-	-	-	-	-	-	-	-
Total actual totex	4.9	40.7	95.6	9.4	4.9	40.7	95.6	9.4
Variance	(13.1)	(50.6)	(132.2)	0.9	(13.1)	(50.6)	(132.2)	0.9
Variance due to timing of expenditure	(13.0)	(50.7)	(132.2)	0.9	(13.0)	(50.7)	(132.2)	0.9
Variance due to efficiency	(0.1)	0.1	-	-	(0.1)	0.1	-	-
Company cost sharing rate - outperformance	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%
Company cost sharing rate - underperformance	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%
Company share of totex outperformance	-	-	-	-	-	-	-	-
Company share of totex underperformance	-	-	-	-	-	-	-	-
25:25 enhancement								
Final determination allowed totex	5.2	19.9	146.2	-	5.2	19.9	146.2	-
Actual totex	3.7	-	2.8	-	3.7	-	2.8	-
Disallowable costs	-	-	-	-	-	-	-	-
Total actual totex	3.7	-	2.8	-	3.7	-	2.8	-
Variance	(1.5)	(19.9)	(143.4)	-	(1.5)	(19.9)	(143.4)	-
Variance due to timing of expenditure	(1.5)	(19.9)	(143.4)	-	(1.5)	(19.9)	(143.4)	-
Variance due to efficiency	-	-	-	-	-	-	-	-
Company cost sharing rate - outperformance	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Company cost sharing rate - underperformance	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Company share of totex outperformance	-	-	-	-	-	-	-	-
Company share of totex underperformance	-	-	-	-	-	-	-	-
40:10 enhancement								
Final determination allowed totex	3.7	-	16.5	-	3.7	-	16.5	-
Actual totex	0.2	0.1	3.3	0.1	0.2	0.1	3.3	0.1
Disallowable costs	-	-	-	-	-	-	-	-
Total actual totex	0.2	0.1	3.3	0.1	0.2	0.1	3.3	0.1
Variance	(3.5)	0.1	(13.3)	0.1	(3.5)	0.1	(13.3)	0.1
Variance due to timing of expenditure	(3.5)	0.1	(13.3)	0.1	(3.5)	0.1	(13.3)	0.1
Variance due to efficiency	-	-	0.1	-	0.1	-	0.1	-
Company cost sharing rate - outperformance	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Company cost sharing rate - underperformance	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%
Company share of totex outperformance	-	-	-	-	-	-	-	-
Company share of totex underperformance	-	-	-	-	-	-	-	-

SRO - use it or lose it								
Final determination allowed totex	0.6	3.2	-	-	0.6	3.21	-	-
Actual totex	5.9	-	-	-	5.9	-	-	-
Disallowable costs	-	-	-	-	-	-	-	-
Total actual totex	5.9	-	-	-	5.9	-	-	-
Variance	5.3	(3.2)	-	-	5.3	(3.2)	-	-
Variance due to timing of expenditure	5.3	(3.2)	-	-	5.3	(3.2)	-	-
Variance due to efficiency	-	-	-	-	-	-	-	-
Company cost sharing rate - outperformance	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Company cost sharing rate - underperformance	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Company share of totex outperformance	-	-	-	-	-	-	-	-
Company share of totex underperformance	-	-	-	-	-	-	-	-
Totex not subject to cost sharing								
Final determination allowed totex - not subject to cost sharing	9.0	107.9	5.6	0.6	9.0	107.9	5.6	0.6
Actual totex - not subject to cost sharing	3.6	72.7	10.2	0.8	3.6	72.7	10.2	0.8
Variance	(5.4)	(35.2)	4.6	(0.2)	(5.4)	(35.2)	4.6	0.2
Variance due to timing	(5.4)	(35.2)	4.6	(0.2)	(5.4)	(35.2)	4.6	0.2
Variance for company	-	-	-	-	-	-	-	-
Total company variance	2.3	46.6	15.6	(13.2)	2.3	46.6	15.6	(13.2)

WHOLESALE TOTEX COMPARISON TO FD ALLOWANCE

Base Totex (net of business rates, abstraction licence fees and grants and contributions)

Actual base totex in 2025/26 across all price controls was £93m (16%) higher than the FD allowance, after excluding disallowed costs. This is mainly due to an insufficient base totex allowance in the CMA FD. We do not anticipate this overspending reversing, so we have not classed any of this as timing. After cost sharing, this is a £46m overspend.

Totex - business rates and abstraction licence fees

Actual business rates totex was £3.0m lower than FD, with abstraction charges £4.6m higher. In both cases, variations were less than 10% of the FD.

Enhancement Totex

Actual enhancement spending was £374m below allowances for 25/26. We have classified this entirely as timing as we anticipate spending the allowance in full over the period 2025-30.

Totex not subject to Cost Sharing

This covers third party services, diversions, innovation & water efficiency fund and pension deficit repair costs. Overall, we spent £27m less than allowances, but we expect this variance to reverse in future years due to changed timing for third party non potable network reinforcement.

Disallowable costs

Costs classified as disallowable are:

- Wastewater undertakings (see below);
- Section 74 fines and fixed penalty notices;
- compensation claims

Wastewater undertakings

In addition, costs incurred to date related to the wastewater undertakings provided to Ofwat (see page 84) have been disallowed to ensure they are funded by Northumbrian Water shareholders and will not be paid for by customers' bills. For 2025/26, the costs comprise £8.2m for Tyneside Smart Sewer Networks[1] and £0.2m for Flow Monitors.

Recharges in respect of 'principal use' of assets

These relate to assets which are shared across more than one business unit, which mainly relate to IT systems and office buildings. The capital is allocated to Water Network+ as the 'principal user' and an appropriate proportion recharged to the other business units, including retail. The values are reported on table 2A.

[1] https://www.ofwat.gov.uk/enforcement-case-in-northumbrian-waters-management-of-its-sewage-treatment-works-and-sewerage-networks/

4D TOTEX ANALYSIS: WATER RESOURCES AND WATER NETWORK+ for the 12 months ended 31 March 2026

		Network+				
	Water resources	Raw water distribution and storage	Water treatment	Treated water distribution	Additional water control	Total
	£'m	£'m	£'m	£'m	£'m	£'m
Operating expenditure						
Base operating expenditure	92.2	10.7	90.8	132.5	-	326.2
Enhancement operating expenditure	0.8	-	1.2	4.3	-	6.3
Total operating expenditure	93.0	10.7	92.0	136.8	-	332.5
Capital expenditure						
Base capital expenditure	14.7	2.1	79.3	167.3	-	263.4
Enhancement capital expenditure	13.9	-	2.3	33.0	-	49.2
Total gross capital expenditure	28.6	2.1	81.6	200.3	-	312.6
Gross totex - water	121.6	12.8	173.6	337.1	-	645.1
Atypical expenditure						
Item 1	-	-	-	-	-	-
Item 2	-	-	-	-	-	-
Item 3	-	-	-	-	-	-
Item 4	-	-	-	-	-	-
Item 5	-	-	-	-	-	-
Total atypical expenditure	-	-	-	-	-	-

4E TOTEX ANALYSIS: WASTEWATER NETWORK+ AND BIORESOURCES for the 12 months ended 31 March 2026

	Network+ Sewage collection			Network+ Sewage treatment	Bioresources			Total
	Foul	Surface water drainage	Highway drainage	Sewage and sludge liquor - treatment and disposal	Sludge transport	Sludge treatment	Sludge disposal	
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Operating expenditure								
Base operating expenditure	16.1	25.8	13.9	82.3	6.3	(2.0)	1.6	144.0
Enhancement operating expenditure	0.2	0.3	0.2	4.6	-	0.1	-	5.4
Total operating expenditure	16.3	26.1	14.1	86.9	6.3	(1.9)	1.6	149.4
Capital expenditure								
Base capital expenditure	1.0	0.1	56.3	59.2	1.6	5.2	0.2	123.6
Enhancement capital expenditure	9.7	16.1	8.7	61.8	-	9.4	-	105.7
Total gross capital expenditure	10.7	16.2	65.0	121.0	1.6	14.6	0.2	229.3
Gross totex - wastewater	27.0	42.3	79.1	207.9	7.9	12.7	1.8	378.7
Atypical expenditure								
Item 1	-	-	-	-	-	-	-	-
Item 2	-	-	-	-	-	-	-	-
Item 3	-	-	-	-	-	-	-	-
Item 4	-	-	-	-	-	-	-	-
Item 5	-	-	-	-	-	-	-	-
Total atypical expenditure	-	-	-	-	-	-	-	-

4F & 4G MAJOR PROJECT EXPENDITURE FOR WHOLESALE WATER AND WASTEWATER

NWL does not have any Major Projects as defined by RAG 4.14.

4H FINANCIAL METRICS for the 12 months ended 31 March 2026

	Units	Current year	AMP to date
Financial indicators			
Net debt	£m	4,057.2	
Regulatory equity	£m	2,563.1	
Regulatory gearing	%	61.3%	
Post tax return on regulatory equity	%	7.5%	
RORE (return on regulatory equity)	%	6.5%	6.5%
Dividend yield	%	1.8%	
Retail profit margin - Household	%	0.7%	
Retail profit margin - Non household	%	0.0%	
Credit rating - Fitch	Text	BBB+ (Negative)	
Credit rating - Moody's	Text	Baa1 (Negative)	
Credit rating - Standard and Poor's	Text	n/a	
Return on RCV	%	5.9%	
Dividend cover	dec	2.3	
Funds from operations (FFO)	£m	389.3	
Interest cover (cash)	dec	3.6	
Adjusted interest cover (cash)	dec	1.7	
FFO/Net debt	dec	0.1	
Effective tax rate	%	1.0%	
RCF	£m	343.0	
RCF/Net debt	dec	0.1	
Borrowings			
Proportion of borrowings which are fixed rate	%	64.4%	
Proportion of borrowings which are floating rate	%	4.7%	
Proportion of borrowings which are index linked	%	30.9%	
Proportion of borrowings due within 1 year or less	%	7.4%	
Proportion of borrowings due in more than 1 year but no more than 2 years	%	10.8%	
Proportion of borrowings due in more than 2 years but but no more than 5 years	%	15.0%	
Proportion of borrowings due in more than 5 years but no more than 20 years	%	57.3%	
Proportion of borrowings due in more than 20 years	%	9.5%	

Following the balance sheet date Moody’s removed its negative rating for NWL and affirmed its long-term issuer rating of Baa1 in April 2026. Fitch then removed their negative outlook and affirmed NWL’s senior unsecured debt rating at BBB+ in June 2026.

An explanation of RORE performance compared to the allowance in the FD is provided in the commentary to table 1F.

4I FINANCIAL DERIVATIVES for the 12 months ended 31 March 2026

	Nominal value by maturity (net) at 31 March				Total value at 31 March		Total accretion at 31 March	Interest rate (weighted average for 12 months to 31 March 2026)	
	0 to 1 years	1 to 2 years	2 to 5 years	Over 5 years	Nominal value (net)	Mark to Market		Payable	Receivable
	£'m	£'m	£'m	£m	£'m	£'m	£'m	%	%
Interest rate swap (sterling)									
Floating to fixed rate	-	-	-	-	-	-	-	0.00%	0.00%
Floating from fixed rate	-	-	-	-	-	-	-	0.00%	0.00%
Floating to index linked	-	-	-	-	-	-	-	0.00%	0.00%
Floating from index linked	-	-	-	-	-	-	-	0.00%	0.00%
Fixed to index-linked	-	100.0	-	-	100.0	-	52.0	3.00%	1.88%
Fixed from index-linked	-	-	-	-	-	-	-	0.00%	0.00%
Index-linked to index-linked	-	-	-	-	-	-	-	0.00%	0.00%
Total	-	100.0	-	-	100.0	-	52.0		
Forward currency contracts									
Forward currency contracts USD	3.0	-	-	-	3.0	-	-		
Total	3.0	-	-	-	3.0	-	-		
Other financial derivatives	-	-	-	-	-	-	-		
Total financial derivatives	3.0	100.0	-	-	103.0	-	52.0		

For the fixed to index-linked swaps, the interest rate payable has been calculated using a reference RPI of 4.1%, being the published RPI for March 2026. The swap reported in this line are set at RPI minus the margin as a fixed percentage on the swaps.

For the mark-to-market valuations, liability (out of the money) positions are reported as positive values and asset (in the money) positions are reported as negative values, in accordance with RAG4.14. The total balance, £52.0m liability, is consistent with the Financial instruments balances in table 1C Statement of Financial Position.

4J BASE EXPENDITURE ANALYSIS: WATER RESOURCES AND WATER NETWORK+ for the 12 months ended 31 March 2026

		Water network+				
	Water resources	Raw water distribution	Water treatment	Treated water distribution	Additional water control	Total
	£'m	£'m	£'m	£'m	£'m	£'m
Operating expenditure						
Power	16.4	3.1	5.9	22.3	-	47.7
Income treated as negative expenditure	-	-	-	-	-	-
Bulk Supply/Bulk discharge	0.9	-	-	-	-	0.9
Renewals expensed in year (infra)	-	-	-	-	-	-
Renewals expensed in year (non-infra)	2.4	-	1.3	4.5	-	8.2
Local authority and Cumulo rates	3.2	2.3	3.0	15.0	-	23.5
Canal & River Trust abstraction charges/ discharge consents	0.5	-	-	-	-	0.5
Environment Agency / NRW abstraction charges/ discharge	56.5	-	0.5	-	-	57.0
Other abstraction charges/ discharge consents	-	-	-	-	-	-
Costs associated with Traffic Management Act	-	-	-	0.4	-	0.4
Costs associated with lane rental schemes	-	-	-	-	-	-
Statutory water softening	-	-	-	-	-	-
Routine repair and maintenance	2.4	0.6	32.6	56.5	-	92.1
Chemical costs - water	0.2	-	21.5	0.2	-	21.9
Finance, Regulation and Procurement costs - water	0.7	0.5	2.3	3.6	-	7.1
Insurance - water	0.2	0.1	0.8	4.5	-	5.6
Fines and penalties - water	-	-	-	0.2	-	0.2
Investigation costs - water	-	-	-	-	-	-
GSS payments - water	-	-	-	0.4	-	0.4
Non-GSS compensation payments - water	-	-	-	-	-	-
HR	0.1	-	0.7	1.5	-	2.3
Training	-	-	0.3	0.8	-	1.1
CEO, Corporate affairs and Governance	0.1	-	1.0	2.3	-	3.4
IT&T (business support)	0.3	0.1	3.0	6.4	-	9.8
Property management (business support)	-	-	-	-	-	-
Other support function and overheads opex - water	4.9	2.7	17.4	12.0	-	37.0
Developer services & Diversions opex						
Network reinforcement opex	-	-	-	-	-	-
Site-specific developer services opex	-	-	-	0.3	-	0.3

Diversions opex	-	-	-	-	-	-
Third-party opex - water						
Third-party opex - water	3.4	1.3	0.5	1.6	-	6.8
Total base operating expenditure	92.2	10.7	90.8	132.5	-	326.2
Capital expenditure						
Maintaining the long term capability of the assets - infra	1.6	1.3	-	65.9	-	68.8
Maintaining the long term capability of the assets - non-infra	13.0	-	73.9	48.7	-	135.6
Total base capital expenditure	14.6	1.3	73.9	114.6	-	204.4
Developer services & Diversions						
Network reinforcement capex	-	-	-	6.6	-	6.6
Site-specific developer services capex - water	-	-	-	14.1	-	14.1
Diversions capex - water	-	-	-	32.0	-	32.0
Third-party capex - water						
Third-party capex - water	-	0.8	5.4	-	-	6.2
Total base capital expenditure	14.6	2.1	79.3	167.3	-	263.3
Total base expenditure	106.8	12.8	170.1	299.8	-	589.5

4K BASE EXPENDITURE ANALYSIS: WASTEWATER NETWORK+ AND BIORESOURCES for the 12 months ended 31 March 2026

	Wastewater network+				Bioresources			Total
	Foul	Surface water drainage	Highway drainage	Sewage and sludge liquor - treatment and disposal	Sludge Transport	Sludge Treatment	Sludge Disposal	
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Operating expenditure								
Power	3.2	5.2	2.8	19.8	1.3	0.6	-	32.9
Income treated as negative expenditure	-	-	-	-	-	(16.6)	-	(16.6)
Bulk Supply/Bulk discharge	-	-	-	-	-	-	-	-
Renewals expensed in year (infra)	-	-	-	-	-	-	-	-
Renewals expensed in year (non-infra)	0.3	0.5	0.3	1.2	0.1	0.2	-	2.6
Local authority and Cumulo rates	-	0.1	-	9.0	-	1.9	-	11.0
Canal & River Trust abstraction charges/ discharge consents	-	-	-	-	-	-	-	-
EA / NRW abstraction charges/ discharge consents	1.3	2.1	1.1	4.4	-	-	-	8.9
Other abstraction charges/ discharge consents	-	-	-	-	-	-	-	-
Costs associated with Traffic Management Act	-	0.1	-	-	-	-	-	0.1
Costs associated with lane rental schemes	-	-	-	-	-	-	-	-
Costs associated with Industrial emissions directive	-	-	-	-	-	-	-	-
Routine repair and maintenance	6.1	10.0	5.4	22.4	3.6	2.4	0.9	50.8
Chemical costs - wastewater	0.2	0.3	0.2	3.7	-	3.4	-	7.8
Finance and regulation costs - wastewater	0.7	1.2	0.6	2.2	0.5	0.3	-	5.5
Insurance - wastewater	0.2	0.4	0.2	1.1	0.1	0.2	-	2.2
Fines and penalties - wastewater	-	-	-	0.5	-	-	-	0.5
Investigation costs - wastewater	-	-	-	-	-	-	-	-
GSS payments - wastewater	0.1	0.1	0.1	-	-	-	-	0.3
Non-GSS compensation payments - wastewater	-	-	-	-	-	-	-	-
HR	0.2	0.3	0.1	0.6	0.1	0.1	-	1.4
Training	0.1	0.2	0.1	0.3	-	0.1	-	0.8
CEO	0.3	0.5	0.3	1.0	0.1	0.2	-	2.4
IT&T (business support)	0.7	1.1	0.6	2.5	0.3	0.5	0.1	5.8
Property management (business support)	-	-	-	-	-	-	-	-
Other support function and overheads opex - wastewater	2.2	3.7	2.0	13.5	0.2	4.6	0.1	26.3

Developer services & Diversions opex								
Infrastructure network reinforcement	-	-	-	-	-	-	-	-
Site-specific developer services opex	0.3	-	-	-	-	-	-	0.3
Diversions opex	-	-	-	-	-	-	-	-
Third-party								
Third-party opex - wastewater	0.3	-	-	-	-	-	0.4	0.7
Total base operating expenditure	16.2	25.8	13.8	82.2	6.3	(2.1)	1.5	143.7
Capital expenditure								
Maintaining the long term capability of the assets - infra	-	-	48.4	0.8	-	-	-	49.2
Maintaining the long term capability of the assets - non-infra	-	-	7.9	58.3	1.6	5.2	0.2	73.2
Total base capital expenditure	-	-	56.3	59.1	1.6	5.2	0.2	122.4
Developer services & Diversions capex								
Infrastructure network reinforcement	-	-	-	-	-	-	-	-
Site-specific developer services capex - wastewater	0.8	-	-	-	-	-	-	0.8
Diversions capex - wastewater	-	0.1	-	-	-	-	-	0.1
Third-party								
Third-party capex - wastewater	0.2	-	-	-	-	-	-	0.2
Total base capital expenditure	1.0	0.1	56.3	59.2	1.6	5.2	0.2	123.6
Total base expenditure	17.1	25.9	70.2	141.4	7.9	3.1	1.8	267.4

4N DEVELOPER SERVICES EXPENDITURE: WATER RESOURCES AND WATER NETWORK+ for the 12 months ended 31 March 2026

	Water network+		
	Treated water distribution		
	Capex	Opex	Totex
	£'m	£'m	£'m
Water network+			
New connections costs - water	9.4	0.3	9.7
Requisition mains costs - water	4.7	-	4.7
Asset payments costs - water	-	-	-
Other site-specific activities costs - water	-	-	-
Total site-specific developer services costs - water	14.1	0.3	14.4
Wastewater network+			
New connections costs - wastewater	0.1	0.3	0.4
Requisition sewers costs - wastewater	0.6	-	0.6
Asset payments costs - wastewater	-	-	-
Other site-specific activities costs - wastewater	-	-	-
Total site-specific developer services costs - wastewater	0.7	0.3	1.0

4O DEVELOPER SERVICES EXPENDITURE: WASTEWATER NETWORK+ AND BIORESOURCES
for the 12 months ended 31 March 2026

		Capex	Opex	Totex
		£'m	£'m	£'m
Water network+				
s185 diversions costs - water		1.9	-	1.9
NRSWA diversions costs - water		30.1	-	30.1
Non-s185 diversions costs - water		-	-	-
Total diversions costs - water		32.0	-	32.0
Wastewater network+				
s185 diversions costs - wastewater		-	-	-
NRSWA diversions costs - wastewater		0.1	-	0.1
Non-s185 diversions costs - wastewater		-	-	-
Total diversions costs - wastewater		0.1	-	0.1
Water network+ diversions type				
Raw water distribution and storage - share of diversions	%			0.00%
Treated water distribution - share of diversions	%			100.00%
Wastewater network+ diversions type				
Foul - share of diversions	%			0.00%
Surface water drainage - share of diversions	%			100.00%
Highway drainage - share of diversions	%			0.00%

4V MARK-TO-MARKET OF FINANCIAL DERIVATIVES ANALYSED BASED ON PAYMENT DATES for the 12 months ended 31 March 2026

	Derivatives - Analysed by earliest payment date				Derivatives - Analysed by expected maturity date			
	Net settled	Gross Settled outflows	Gross Settled inflows	Total	Net settled	Gross Settled outflows	Gross Settled inflows	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Between one and two years	-	-	-	-	-	-	-	-
Between two and three years	-	-	-	-	-	-	-	-
Between three and four years	-	-	-	-	-	-	-	-
Between four and five years	-	-	-	-	-	-	-	-
After five years	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

4W DEFINED BENEFIT PENSION SCHEME – ADDITIONAL INFORMATION for the 12 months ended 31 March 2026

	Defined benefit pension schemes
	Northumbrian Water Pension Scheme
	£'m
Scheme details	
Scheme name	Northumbrian Water Pension Scheme
Scheme status	Closed to accrual of future defined benefits
Scheme valuation under IAS/IFRS/FRS	
Scheme assets	683.7
Scheme liabilities	702.9
Scheme surplus / (deficit) Total	(19.2)
Scheme surplus / (deficit) Appointed business	(18.9)
Pension deficit recovery payments	6.2
Scheme valuation under part 3 of Pensions Act 2004	
Scheme funding valuation date	31 December 2022
Assets	799.2
Technical Provisions	980.7
Scheme surplus / (deficit)	(181.5)
Discount rate assumptions	Gilts +0.25% pa
Recovery plan (where applicable)	
Recovery Plan Structure	Recovery Plan signed on 31 October 2023. Schedule of contributions requires employers to pay the following deficit reduction contributions: £23.8m pa, with effect from 1 January 2023 to 31 March 2023; plus £27.1m pa, with effect from 1 April 2023 to 31 October 2023; £6.0m pa, with effect from 1 November 2023 to 31 October 2038, increasing annually by RPI from 1 January 2025. An additional allowance of £1.5m for Scheme expenses will be paid, also increasing annually by RPI.
Recovery plan end date	31 October 2038

4W DEFINED BENEFIT PENSION SCHEME – ADDITIONAL INFORMATION for the 12 months ended 31 March 2026 (continued)

	Defined benefit pension schemes
	Northumbrian Water Pension Scheme
	£'m
Asset Backed Funding (ABF) arrangements	Yes, an ABF arrangement was implemented on 31 October 2023. The Recovery Plan was agreed taking full account of the ABF structure. Deficit contributions up to 31 October 2023 were before the implementation of the ABF and contributions from 1 November 2023 onwards were based on the ABF having been implemented. 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 the Recovery Plan payments to the NWPS. The value of the ABF arrangement is not included in the calculation of the deficit for the NWL Consolidated Financial Statements, in accordance with IAS 19.
Responsibility for ABF arrangements	The appointed business is responsible for 98.3% of the deficit contributions with the remainder paid by the NWL non-appointed business and an associated company.

9A INNOVATION COMPETITION

	Current
Allowed	£'m
Allocated innovation competition fund price control revenue	5.1
Revenue collected for the purposes of the innovation competition	
Innovation fund income from customers	5.1
Income from customers to fund innovation projects the company is leading on	9.6
Income from other water companies to fund innovation projects the company is leading on	2.6

9A INNOVATION COMPETITION (continued)

	Total amount of funding awarded to the lead company through the innovation fund	Total amount of inflation top-up funding received	Forecast expenditure on innovation fund projects in year (excl 10% partnership contribution)	Actual expenditure on innovation fund projects in year (excl 10% partnership contribution)	Forecast project lifecycle expenditure on innovation fund projects (excl 10% partnership contribution)	Cumulative actual expenditure on innovation fund projects (excl 10% partnership contribution)	Difference between actual and forecast expenditure	Allowed future expenditure on innovation fund projects (excl 10% partnership contribution)	In year expenditure on innovation projects funded by shareholders of the lead water company	In year expenditure on innovation projects funded by project partner contributions	Cumulative expenditure on innovation projects funded by shareholders of the lead water company	Cumulative expenditure on innovation projects funded by shareholders of the lead water company
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Organics Ammonia	0.2	-	-	-	0.2	0.2	-	-	-	-	-	-
Spring Centre of Excellence	0.3	-	-	-	0.2	0.2	-	-	-	-	-	-
Fairwater	3.8	-	0.1	0.1	3.8	2.6	(1.2)	1.2	-	-	-	-
National Leakage Research Centre	5.3	-	0.4	0.4	5.3	1.1	(4.2)	4.2	-	-	-	0.4
Open data sharing platform	0.9	-	-	-	0.9	0.9	-	-	-	-	-	-
Support For All	0.6	-	-	-	0.7	0.7	-	-	-	-	0.1	-
SuPR Loofah (Sustainable Phosphorus Recovery)	0.4	-	-	-	0.4	0.4	-	0.1	-	-	-	-
Water Quality As-A-Service Treatment-2-Tap	0.7	-	-	-	0.7	0.6	(0.1)	0.1	-	-	-	-
Hydro Powered Concentric Smart Meter	0.9	-	0.2	0.2	0.9	0.9	-	-	0.1	-	0.1	-
Root defender	0.9	-	0.5	0.5	0.9	0.8	(0.1)	-	0.1	-	0.1	-
Water Literacy toolkit	0.9	-	0.5	0.5	0.9	0.7	(0.2)	0.1	0.1	-	0.1	-
Transform Stream 2	4.0	-	0.4	0.4	4.0	4.1	0.1	-	-	-	-	0.8
River Deep Mountain AI (RDMAI)	5.1	-	2.7	2.7	5.1	5.1	-	-	0.5	0.6	0.5	0.6
Support for All phase 2	1.8	-	0.7	0.7	1.8	1.8	-	-	0.1	-	0.1	-
Pipebot Patrol	1.6	-	0.9	0.9	1.6	1.7	0.1	-	-	-	-	-
METREAU	1.7	-	1.2	1.2	1.7	1.2	(0.5)	0.5	-	-	-	-
Smart Skies, Healthy Water	6.0	-	1.3	1.3	6.0	1.3	(4.7)	4.7	-	-	-	-
Stream Phase 3	1.6	-	0.4	0.4	1.6	0.4	(1.2)	1.1	-	0.2	-	0.2
Net Water Posithyve	2.0	-	-	-	2.0	-	(2.0)	2.0	-	-	-	-
	38.7	-	9.3	9.3	38.7	24.7	(14.0)	14.0	0.9	0.8	1.0	2.0

Administration	£'m
Administration charge for innovation partner	0.3

Innovation Competition

As part of PR19 Ofwat established its Innovation Fund, the purpose of which is to grow the water sector's capacity to innovate enabling it to better meet the evolving needs of customers, society and the environment. Our revenue allowance includes £5.1m per annum, which is recovered through customer charges, to contribute towards the Innovation Fund.

Innovation fund income received from customers was £5.1m (24/25 £3.0m).

There was also a payment to Ofwat of £0.278m for the innovation partner administration charge.

£m	**AMP7**	**25/26**	**Cumulative**
Income from customers (price control)	13.58	5.088	18.668
Innovation project cost contributions	-8.925	-2.555	-11.48
Administration partner costs	-0.514	-0.278	-0.792
Net	**4.141**	**2.255**	**6.396**

The net receipt of £6.396m has been accrued in operating costs in the Statutory accounts but removed from the Regulatory accounts, in accordance with Ofwat guidance.

NWL received the funding in 2025/26 to lead on a number of projects (through the Water Breakthrough Challenge 5 Transform and Stream):

- Smart Skies, Healthy Water – use of drones, robotics and cutting-edge sampling techniques to significantly improve coastal water monitoring.
- Stream Phase 3 – next phase of water company data sharing to benefit customers, society, and the environment.
- Net Water Posithyve - scale-up and delivery of a new technology to increase water availability for long-term water resilience/security.

The income and expenditure to date for each project is shown on the table above.