Pivotal in supporting the provision of essential services within the communities we serve

South Staffordshire Plc

Annual Report 2023

Report overview

Pivotal in supporting the provision of essential services within the communities we serve

Key highlights of the year

OnSite wins contractor of the year award at Water Industry Awards

The business was recognised for its innovation, health and safety, ESG initiatives and business growth.

Ofwat Innovation Fund award for South Staffordshire Water

South Staffordshire Water awarded £270,000 from Ofwat's Innovation Fund for diversity-led water efficiency project.

2nd UK water company goes live on Echo's water billing software, Aptumo

South Staffordshire Water, which includes South Staffs Water and Cambridge Water, successfully implemented Aptumo as its new customer billing system.

A more integrated Compliance division

To support growth, the Group's compliance businesses Omega Red and IWS Water Hygiene have integrated to offer a comprehensive solution to the market.

The Group celebrated health and safety success with first groupwide awards

Recognising proactive investigations, safety leadership, improvements and best practice.

South Staffordshire Water continues to reduce leakage - meeting targets in year

The business achieved a 16.7% reduction in Cambridge and a 9.4% reduction in South Staffs.

The Group

South Staffordshire Plc

The South Staffordshire Plc Group is a highly respected integrated services group of businesses. It operates two regulated water companies, South Staffs Water and Cambridge Water, that together serve 1.6m customers in the UK and has a range of complementary non regulated businesses that serve the water and adjacent sectors within its SSI Services and Echo divisions.

Regulated Water

Cambridge Water South Staffs Water

Our two regulated UK water companies, Cambridge Water and South Staffs Water, supply more than 1.7 million homes with clean, fresh water.

Water, Waste and Infrastructure

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

Compliance

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

Service and Software

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

Commercial Water Production and Distribution

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

Chair's introduction

Steve Johnson

The Group's financial performance for the year to March 2023 was characterised by a strong overall trading performance for the Group's non-regulated engineering, compliance, service and software businesses where, in particular, new contract frameworks in the utility sector, continued diversification into height safety services and further growth of the Group's ground source heating proposition drove revenue growth.

For our regulated water company South Staffordshire Water, progress on our ambitious infrastructure investment programme continued to secure the future resilience of customer supply. Further initiatives to reduce network leakage saw the business hitting its performance commitment reduction level in both regions, and the provision of excellent water quality remained a key strength, with a 15% reduction in the number of customer contacts about the colour, taste and smell of their water. This equates to a total reduction of 42% since 2020/21.

However, the impact of above inflation energy and chemical costs was exacerbated by higher-than-expected water production due to the fourth warmest summer ever recorded in the UK. This, together with higher central costs due to a criminal cyber attack meant the Group's EBITDA was impacted within the year.

Towards the end of the year, Phil Newland, our Group CEO, discussed with us his intention to step down as CEO. I would like to thank Phil for what has been an outstanding commitment and contribution to the success of the Group over the last 21 years, and to wish him every success in the future. Following a robust recruitment process, Charley Maher was appointed as the Group's new CEO and took up her position in September 2023.

Looking ahead, our businesses continue to experience increased cost pressures due to the wider economic environment. However, the Group continues to see strong demand for its specialist range of services and new opportunities to broaden its client base. Accordingly, The Board remains positive about the Group's future prospects.

The remainder of this annual review provides further information on each of the Group's Divisions. On behalf of the South Staffordshire Plc Board, I would like to record our thanks to all our colleagues for their continued hard work and contribution to the Group's achievements.

Steve Johnson
Chair for South Staffordshire Plc

Strategic report

Regulated Water Supply

Overview

South Staffordshire Water, which operates across two regions as Cambridge Water and South Staffs Water, is a privately-owned regulated water only company that serves more than 1.7 million people and around 42,500 businesses in and around Cambridge, and in Staffordshire and parts of the West Midlands. It does not take away waste water or treat sewage.

It has not been a typical year for the business; in many respects, it has been extremely challenging. The uncertainty created by war in Europe and the surge in energy prices have contributed to a cost of living crisis that has impacted many people's ability to pay their bills. At the same time, the England and Wales water sector has been in the public spotlight like never before – with a catalogue of negative media stories about pollution, executive pay and dividends, and growing calls for water companies to be nationalised.

And yet, despite the external challenges, the business has continued to perform well against many of its key regulatory targets. The provision of excellent water quality is one such example. This is always a top priority for customers and the business has had an outstanding year for water quality contacts – delivering a 15% reduction in the number of contacts from customers about the colour, taste and smell of their water. This equates to a total reduction of 42% since 2020/21.

In addition, the business has continued to perform very well in terms of the number of customers it helps. It has exceeded its target for the number of customers that receive some form of financial support, with nearly 56,000 currently being helped. The business is hopeful that its new Aptumo billing system, which went live in February 2023, will help it to proactively identify more customers who may be struggling to pay their water bills.

The business has also continued to deliver against its ambitious investment programme for the five years from 2020 to 2025. Construction work for the new Bourn storage reservoirs in the Cambridge region is complete and the upgraded treatment processes at the Seedy Mill water treatment works in the South Staffs region have been delivered in line with the target agreed with the Drinking Water Inspectorate. And it has met its leakage targets for the year in both the Cambridge and South Staffs regions. This is a key indicator of asset health and another top priority for customers.

But there are some areas where the business needs to go further to improve its performance. For example, it is still seeing very high water demand across its regions, which is negatively impacting its target for individual water use (also known as 'per capita consumption' or PCC). The business is actively looking at ways to encourage customers to use less water.

Underpinning all this is the impact of the surge in energy prices. The business has had to navigate increases in the costs of fuels and the essential chemicals needed to treat water, which has required it to mitigate costs elsewhere, while making sure it continues to deliver for customers.

By far the biggest challenge faced during the year has been the impact of the criminal cyber-attack in July 2022, with the theft of data relating to current employees, some past employees and some customers who pay by Direct Debit. The business put a full support programme in place for those affected, including setting up a dedicated helpline and paying for 12 months' access to credit and fraud protection monitoring. As well as putting in additional IT security enhancements in response to the incident, the business further strengthened some of its communications and operational processes.

Delivering for our customers

South Staffordshire Water is committed to delivering a great experience for all its customers. Its performance in this area is assessed using three regulatory measures of customer experience: C-MeX for household customers; D-MeX for developer services customers; and a bespoke R-MeX measure for non-household retailers and their end customers.

Having delivered an upper quartile position in the sector for C-MeX in 2021/22, the business was disappointed to have slipped back in terms of its performance in 2022/23. Insight from customers suggests that at key driver for this dip in performance could be the impact of the cyber-attack on customers' confidence in the business and the services it provides. It remains committed to driving improvement in the service delivered to customers and is working hard to get its performance back on track in the year ahead.

The business is continuing to make steady progress against the other two measures of customer experience. For D-MeX, it ended the year in an above average position and is striving to achieve upper quartile position by the end of the current five-year regulatory planning period in 2024/25. For the R-MeX measure, the business achieved its highest score in the non-household water retail market operator MOSL's output report published at the end of March 2023. This is something to build on in the year ahead.

Underpinning Ofwat's C-MeX, D-MeX and R-MeX customer experience measures are two further business commitments: customer satisfaction with value for money and a customer trust score. Unfortunately, the business has continued to see a decline in the scores for both of these measures over the past year and failed to meet its targets. This is due, in part, to a combination of external influences – the current cost of living crisis and the negative reporting of the sector in the media, for example. The business is continuing to monitor its customers' views and is taking action to get these measures back on track by the end of the current planning period.

Delivering for our communities

As one of the smaller water companies in the sector, South Staffordshire Water is rightly proud of its local knowledge and heritage, the partnerships it has formed and the work it has done to embed itself at the heart of the communities it serves.

The business demonstrates its commitment to local communities in several ways, including through the help and support it provides to customers who may be struggling to pay their water bills or who may find themselves in circumstances that could make them vulnerable. It also runs a successful education outreach programme, which aims to educate the next generation of water champions.

The business offers several financial support packages to help customers who are struggling to pay their water bills. It also offers a range of different options to give customers more control over how and when they pay their bills. This is to encourage regular payment habits, which also helps to reduce the risk of customers falling behind with their payments and getting into debt.

The business is still supporting many customers with its financial support schemes. It exceeded its target for the number of customers helped during the year – with nearly 56,000 receiving some form of financial support, compared with a target of 36,000. In addition, it now has more than 10% of its household customer base registered on its Priority Services Register. This is a free service for customers who may need extra help because of, for example, age, medical reasons, or learning or physical disabilities.

Key to South Staffordshire Water's community engagement is its education outreach programme. The business has an ambitious target to engage with 6,000 young people a year through interactive workshops and assemblies. Resource issues during the first half of the year means that it was unable to run its full programme of activities. But in the six months to March 2023 it engaged with 3,672 young people, putting it in a good position to beat its target in the last two years of the current planning period.

Delivering a reliable service

For South Staffordshire Water, delivering a reliable service is something its customers always expect. Each year, it carries out a rolling programme of maintenance and investment to ensure the long-term health and resilience of its network of pipes, pumping stations and treatment works across the Cambridge and South Staffs regions.

One area where the business has performed consistently well in recent years is in the number of contacts from customers about the taste, smell and colour of their water. This is an area where customers always want to hold the business to account. The 2022/23 reporting year saw a 15% reduction in the number of contacts about the acceptability of the water supplied to customers. This equates to a 42% reduction since 2020/21 and is reflective of the level of investment the business has made in this area.

The business performed strongly on unplanned supply interruptions, outperforming its target for the year by more than a minute. And it achieved its target of finding and fixing 90% of visible leaks within four days. This is even more impressive when set in the context of a prolonged period of drought followed by a cold winter, which led to an increase in burst mains across both regions.

Delivering for the environment

South Staffordshire Water takes its environmental stewardship role very seriously. As a custodian of the natural environment, it has to balance the very real challenges of making sure there is always enough water to supply customers and to meet the needs of the environment. This is particularly true for the Cambridge region, which is in one of the driest parts of the country.

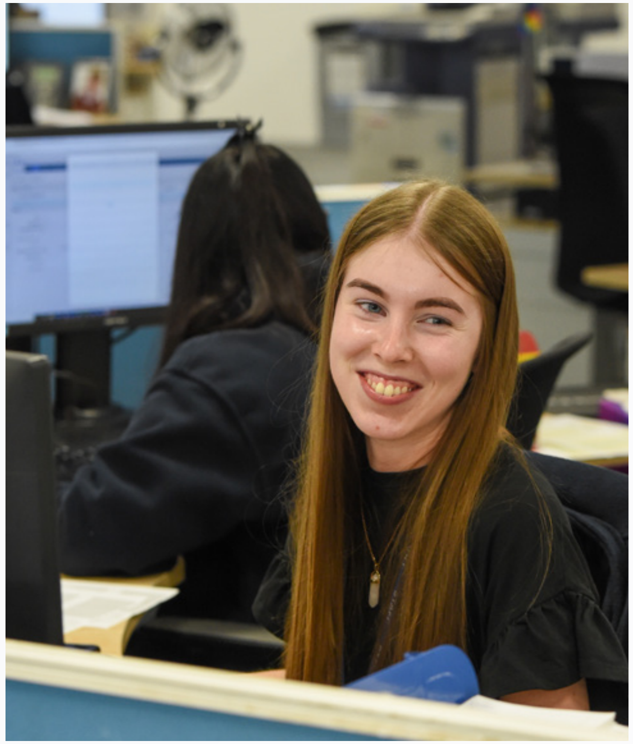
Of critical importance to the business and to customers is the need to reduce the volume of water that leaks from its network of pipes. This helps to ensure more water is left in the environment. In 2022/23, the business again met its leakage targets for the year, with reductions from its baseline in the Cambridge and South Staffs regions of 16.7% and 9.4%, respectively.

It also created a new household water night use model and monitor, which provides a more accurate picture of water use across the South Staffs region. This has enabled the business to target leakage more effectively as it makes it easier to see spikes in water use in different areas. It also enables the review of leakage data back to 2017/18, making the model more robust overall.

Another consequence of the hot weather during summer 2022 is that the business failed its target for the volume of water it takes – or abstracts – from the environment, breaching two abstraction licences in its Cambridge region. One of the factors that could have influenced this is that, in common with other water companies in the sector, demand for water across the Cambridge and South Staffs regions has remained very high during the year – at 136 litres per person per day (l/p/d) and 143 l/p/d, respectively. This has changed very little since the start of the COVID-19 pandemic in 2020. So to understand this fundamental shift in the relationship between customers and the water they use, the business worked with a third party demand management specialist to review water use levels and develop an action plan for the final two years of the current planning period.

In terms of environmental stewardship, planning for the future is critical. Every five years, the business produces water resources management plans for the Cambridge and South Staffs regions. These set out how the business intends to achieve secure water supplies for customers and enhance and protect the environment over a 25-year timeframe. The plans are consulted upon and submitted to the Secretary of State for Environment, Food and Rural Affairs for approval.

The business published its draft South Staffs water resources management plan in November 2022, with the draft Cambridge plan following in February 2023. The focus for both plans is on making sure there is enough water in the environment to meet the demand for that water. A key feature of the Cambridge plan is the work the business is carrying out in partnership with Anglian Water to build a new reservoir in the Cambridgeshire Fens that, once constructed and brought into commission, will deliver a reliable water supply of 43.5 million litres of water a day into the Cambridge region. A lengthy programme of consultation and engagement got under way during the year.



Delivering for our business

South Staffordshire Water is committed to running an efficient business where people are happy in their jobs, where customers pay their fair share, and where suppliers are treated fairly and in line with the Prompt Payment Code.

The business has a specific performance commitment for employee engagement and uses different channels and activities to communicate with and engage its people.

Unfortunately, it did not reach its target for the year in this area and still has some work to do to ensure its people feel fully engaged. But there is much for it to be proud of, with its most recent Investors in People (IIP) review highlighting the shared pride among employees in delivering excellent service.

It also did not meet its target for making sure that it pays all businesses with turnover less than £6 million within 30 days. It will continue to strive to meet this target in the last two years of the current planning period.

But the business did meet its targets for bad debt as a percentage of revenue and for making sure its property records are up to date. This helps it to ensure that everyone who should be paying a bill is doing so and also to ensure fairness across its charges. 'Bad debt' is accrued when some customers fail to pay their water bills.

Valuing our people

A key priority for South Staffordshire Water is the health and wellbeing of its people – this is something it takes very seriously. Its aim is always to minimise the risk of harm. So it provides regular health and safety training and awareness-raising campaigns across all its sites. Its accident rate has also continued to improve, with five minor accidents and one reportable RIDDOR incident during 2022/23.

In addition, the business has implemented new health and safety initiatives across the business. This includes a new health and safety management system that brings together reporting across several environmental, health and safety metrics, including in the areas of chemical safety and incident reporting. It will carry on raising awareness among its people and supply chain partners of the importance of health and safety within the workplace, and to empower them to mitigate any risks associated with their roles.

The business has also continued to encourage a flexible working approach. Since the COVID-19 pandemic, it has created an environment where home working for part of the week has become the new normal for its office-based people. This approach is also helping the business to recruit and retain the right people to drive its work programmes in the future. And it has continued to provide a range of support and social activities to keep its people engaged. This includes regular communications designed to support wellbeing, and initiatives such as free health checks and lunchtime walks to help promote positive mental health.

Future focus

South Staffordshire Water's focus is on preparing its investment proposals for the five years from 2025 to 2030. Alongside this, it is developing a long-term delivery strategy. This sets out its thinking about the investments that are likely to be needed over a 25-year timeframe to ensure resilient water supplies and responsive 'right first time' customer services. These plans will be submitted to the regulator Ofwat in October 2023. Ofwat will then compare them against the plans submitted by the other water companies in the sector, making its final decisions on the levels of funding that the business will be allowed to enable it to deliver these plans efficiently in December 2024. This will be reflected in the bills customers pay from 1 April 2025 to 31 March 2030.

A key feature of the business' long-term plans is the project it is carrying out in partnership with Anglian Water to construct a new reservoir in the Cambridgeshire Fens. The aim of this project is to protect future water supplies in the Cambridge region from climate change, a growing demand for water and to enhance the environment. The new reservoir will provide a reliable supply and store of water for the future. It will also help to protect the rare chalk stream habitats that are a feature of the Cambridge region by reducing the volume of water the business takes from the chalk aquifer that feeds these water courses.

The first consultation phase on the project closed in December 2022. Further consultation phases will be held in 2024 and 2025. The plan is for the new reservoir to start supplying water from the late-2030s.

Case study

South Staffordshire Water completed two major construction projects during 2022/23 that will help to ensure it continues to provide high-quality and resilient water supplies to customers now and over the long term.

In December 2022, the business completed the work to build two new storage reservoirs at the existing Bourn site in the Cambridge region and brought them into supply. The reservoirs have a combined capacity of 8 million litres, bringing the total capacity of the site to more than 12 million litres. This is enough water to supply the 14,000 properties that currently receive water from Bourn, and to accommodate planned development in the area, which is likely to result in another 8,000 connections to the network by the end of the current planning period. The new reservoirs have a design life of 80 years and have been constructed with resilience to a growing population and climate change in mind.

In March 2023, the business completed a £23 million investment to introduce a second filtration stage at Seedy Mill, the second largest water treatment works in the South Staffs region. The works has a capacity to treat 125 million litres of water a day – enough to fill 40 Olympic-sized swimming pools – and supply clean water to around 200,000 people. Work began at the site in July 2020, with a target completion date of 31 March 2023. The project was nearly derailed by the impact of the COVID-19 pandemic and the loss of the initial construction partner, which went into administration in October 2021. The new filtration plant was brought into commission in line with the agreed schedule and customers are now receiving the benefits of enhanced water quality.

Both projects demonstrate that the business is well-equipped and able to implement ambitious, large-scale infrastructure projects without impacting the quality of the services it provides to its customers.

South Staffordshire Plc

SSI Water, Waste & Infrastructure Division

Overview

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

Specialist engineering services:
- **G Stow** | borehole engineering
- **Integrated Water Services (IWS)** | mechanical and electrical engineering design, build and maintenance
- **OnSite Pipelines** | specialist civil engineering, pipeline repair and installation
- **OnSite Specialist Maintenance** | leak sealing, water proofing and concrete repairs

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

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

UK wide services & international innovation partners

The division, which has over 25 regional depots and offices to operate over large numbers of utility-based frameworks, provides services across the UK and Ireland via integrated customer delivery models. With an excellent track record for long-term customer retention, targeted growth is focused in areas with a high technical barrier to entry, where innovative engineering design and build projects, the use of technology and specialist equipment, and a 24/7 service is required.

The division had a significant period of growth in 2022-23, achieving an additional £30m turnover and raising profits. The successful year culminated with OnSite being named contractor of the year 2023 in the prestigious Water Industry Awards.

Technology – early adoption and acceleration

The division has continued to be the chosen partner for international technology providers to support the development, growth and deployment of products in the UK. This includes smart telemetered systems across water and sewerage networks and, in 2022, added water body remediation solutions and innovative pipeline inspection technology from Australia.

Engineering Services

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

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

Focused on sustainability and growth in adjacent sectors, the engineering division is well placed to support the development of the UK's low carbon heat networks and growth in the use of ground source heat pumps. Within the year, OnSite completed civil engineering projects associated with heat networks at the Eden Project in Cornwall and Swaffham Prior in Cambridgeshire.

Integrated Water Services (IWS) M&E had a successful year in securing new projects via several water utility frameworks and the Environment Agency and commenced a low carbon heat network project at the Imperial War Museum in Cambridgeshire. Core projects in the year included specialist design and build, water treatment, chemical dosing systems, pumping station refurbishments and pump energy optimisation. The financial performance of the business was adversely affected for several months in the year when projects were postponed and client operational site outages could not be permitted due to the extended summer hot weather. Due to an increased order book and strong sales pipeline, the business has successfully recruited a number of key management roles for 2023.

G Stow's financial performance significantly improved this year, with several water borehole drilling projects being completed successfully, as well as borehole refurbishments and relining projects, pump replacement and borehole CCTV and cleaning projects.

The **OnSite Pipelines and Civil Engineering** division provides a range of pipeline and associated underground and above ground civil engineering services to the built environment. With a core of projects in the water sector, the division offers a range of services including installation, network maintenance, mains rehabilitation, directional drilling and specialist civil engineering. Operating in multiple sectors, the business is focused on customer service, a positive impact on the environment and helping clients achieve industry leading performance. Within the year the business secured several new frameworks in the water sector, completed several large diameter and major pipeline diversion projects and carried out lead pipe regional replacement programmes for water utilities. Multiple projects were also delivered to commercial and industrial customers and the business has been instrumental in supporting growth for the installation of low carbon heat networks. In a period of rapid expansion, civil engineering expertise has been recruited to the management team and specialist project management software has been mobilised.

OnSite's Specialist Maintenance division had a challenging year, which resulted in a business restructuring, new leadership and a new focus of winning work in the water sector. Encouragingly, in the latter part of the year, a new major framework was awarded for reservoir maintenance and relining contracts. With vast proven experience and unique engineering skills, the business operates in highly regulated and safety conscious sectors such as rail, water, construction and highways. The business is renowned as an expert specialist offering a unique range of services including waterproofing, concrete repairs, chemical resistant coatings, ground stabilisation and reservoir repairs.

Wastewater Services

OnSite Utility Services offers specialist wastewater and drainage services, including sewer flow monitoring, rehabilitation, CCTV surveys, sewer lining and specialist cleaning services to the water rail, and highways regulated sectors as well as to local authorities and private customers. The business also supports the continued maintenance and refurbishment of inland waterways and canal networks across England and Wales. Two new frameworks were awarded in 2022 with the Canal and River Trust, including a specific temporary dam contract for the PortaDam system. The sewer flow team has continued to support several customers with innovative smart network projects including flow measurement, sewer level and early warning flood sensor installation projects. In-house product development and rental of temporary flow monitors to support sewer design and predictive modelling projects has continued.

The **rail division** continued with its projection of rapid growth in 2022/23, delivering trackside drainage services, large diameter sewer lining projects using UV techniques and management of critical risk direct to Network Rail and to several main contractors in the South-East, Wessex and North London regions and routes. Regional expansion remains a key focus for this division, using transferable skills from within SSI Services and by adding new services.

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

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

Asset Management

Hydrosave provides asset management services that support the resilience and quality of the UK water network. 2022/23 was another successful year for growth and margin improvement.

Particular success was achieved on water loss management and leakage detection frameworks carried out across regions in the UK, helping the water sector in its ambition to manage leakage events, reduce water loss and achieve leakage reduction. A technology led approach and investment in leak detection continues to be adopted on all contracts using a range of the latest technologies from around the world. These include acoustic, flow and pressure sensors, in-pipe CCTV systems and the analysis of smart networks. Services also included validating and auditing network boundaries, installation of 4G/5G sensors, assessing customer demand and carrying out trunk mains leak detection surveys. In order to address the growing percentage of leakage on customer properties, Hydrosave has also developed an expertise for managing and inspecting customer side water losses.

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

Advanced Engineering Solutions Ltd (AESL) operates in the water and gas sectors. The water department works closely alongside sister company Hydrosave to offer water utilities a comprehensive set of services to support asset health and management. The AESL Water department provided forensic Non Destructive Testing (NDT) and pipeline analysis services to the water sector using a patented in-house SmartCAT® technology to measure internal and external corrosion. This included analysis of results from projects in Australia, where a licensed partner also uses SmartCAT®.

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

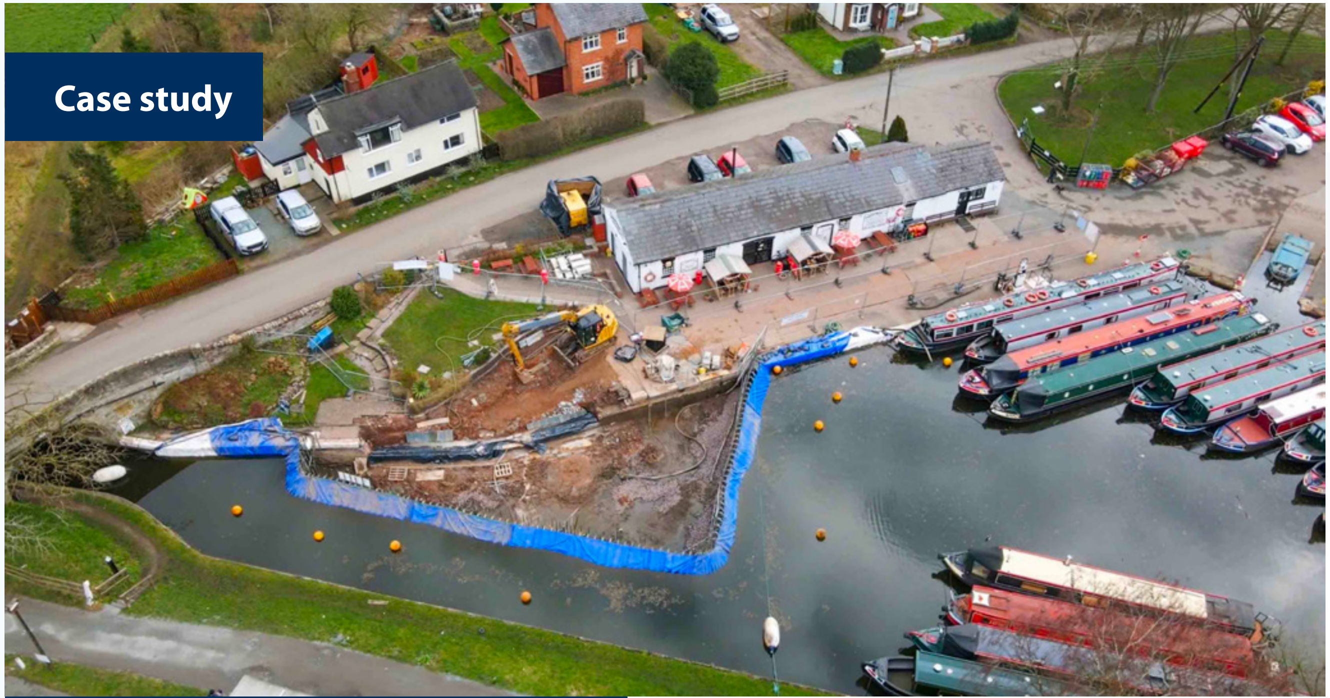
Asset Management – the look ahead

The outlook continues to be positive as the businesses within the division work increasingly closer together to support infrastructure owners and operators with their challenges and priorities. Increasing the number of clients and specialist projects is a key focus area given the current reliance on a few large leak detection contracts in Hydrosave that drive the majority of turnover and the risk that is carried for water sector insourcing. Within the core water sector market, innovation and new technologies will continue to be a focus for the division as water companies look to maximise performance in the current AMP and begin to plan their longer-term strategies for PR24 and beyond.

WWI Summary

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

Finally, having already had some international success, the division will look to explore overseas markets where its services or products, via a sale or licence model, are closely aligned to market challenges and drivers to support further growth.



Case study

Historic canal wall rebuild for the Canal and River Trust

In August 2022, OnSite was appointed, by the Canal and River Trust (the Trust), the charity responsible for the maintenance and upkeep of over 2,000 miles of canal and rivers in England and Wales, to work on a long-term restoration contract.

Along with eight other contractors, OnSite will be working on the new Civil Engineering Contract (CEC) Framework across the Trust estate, which includes canals and rivers in England and Wales alongside over 10,000 associated principal assets such as aqueducts, locks, bridges, reservoirs, and embankments.

The OnSite team will undertake works in three geographical regions across England and Wales: the North West, Wales and the South West and the West Midlands.

The first project undertaken as part of the framework was at the historic Norbury Wharf. This dates back to 1835, when it was known as the Birmingham and Liverpool Junction canal, later becoming the Shropshire Union canal. As such, this is now a conservation area with several listed buildings and heritage structures in the surrounding area

In early 2023, the Trust identified that a 20m section of the waterway wall at Norbury Junction was in a state of failure. The wall had sunk and was leaning into the canal on the north corner of the wharf.

OnSite was called in by the Trust, firstly to PortaDam the area, before the deconstruction and rebuild of the wall.

On starting the work, OnSite's team discovered that the canal depth was greater than expected. This required an additional 150 tonnes of stone to be installed to the canal bed to create a firmer surface.

Due to the historic nature of the site, there were many considerations for the team during the project. A heritage advisor was consulted to approve the type and colour match of the bricks used to rebuild the wall although the team reused the original bricks where it was possible to do so. The wall also had to be constructed in the same brick bond as the original.

The existing concrete copings were numbered as they were removed so they could be put back in their original layout. The heritage advisor also supervised the removal of the timber sleepers.

Whilst the project was due to last 12 weeks, the team completed it in just nine. As the marina had to be closed during the works, this was great news for the marina owner.

Thomas Rochford, Head of Drainage Services at OnSite said: "We are delighted to be working on such an important initiative to preserve and protect the waterways across England and Wales. It is imperative that we are sensitive to the technical and heritage requirements and that we preserve these essential assets for existing and future generations, encouraging and enabling more people to access the canals and river navigations which is known to improve overall wellbeing."

SSI Compliance Division

Overview

The Compliance Division of South Staffordshire Plc comprises two market-leading businesses: Omega Red Group and IWS Water Hygiene. Individually, both businesses have continued to build their reputation, resolute in their safety-first commitment, delivering high quality solutions across lightning protection, power earthing, height safety, air hygiene, water hygiene, water treatment, and electric vehicle charging.

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

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

The division has set-out a road map for the next 18 months that will continue to see further investment in business systems, harmonising business processes across the division, all with the aim of making it easier and simpler for our customers to do business with us. By implementing our road map, we will better support our customers with an increasing range of innovative and high-quality solutions from which they can choose, using technology to augment response times and the performance of our service delivery teams.

The key drivers for our strategic road map include:

- **Streamlined service delivery:** by combining both businesses under one division, we will be able to offer a more streamlined and efficient service delivery process, with customers having access to a wider range of services from a single point of contact, offering potential opportunities for simplifying their procurement process and creating cost savings.
- **Flexibility for customers:** we want to offer our customers greater flexibility and choice of services, whether choosing a single service or a combination of services. This flexibility allows our customers to benefit from solutions that are tailor made to their specific requirements, enhancing their overall experience and customer satisfaction.
- **Comprehensive solutions:** integrating our businesses allows us to offer a more comprehensive solutions for our customers to address their compliance and safety of increasing complexity. This can be especially valuable for those customers requiring multiple services to meet their regulatory standards, ensuring safety and compliance across different disciplines.
- **Synergy and expertise:** combining expertise in both Omega Red Group and IWS Water Hygiene will lead to synergies in terms of knowledge sharing, problem-solving, and innovation. The driver being, improved service quality, enhanced safety measures, and innovative approaches to compliance challenges for our customers.
- **Consolidated communication:** ultimately as our integration progresses, our customers will benefit from an increasingly unified approach for enquiries, updates, and support. This consolidated communication channel will improve efficiency, as well as ensuring clear and consistent communication throughout our service engagement.
- **Adaptability:** our ability to react and understand to changes in regulatory, or customer demand is acknowledged as being critical to our services and to them remaining relevant. By combining efforts, we will be better positioned to offer new services that meet the changing demands of our customers and their compliance requirements.

The Compliance division is highly regarded in the industry, with a focus on safety, reputation, and customer satisfaction, focused on the principles of:

- Protecting people, buildings and assets
- Protecting customers' brands and reputations
- Providing independent advice and guidance to aid compliance

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

Our "safety first" approach is underpinned by our proactive and leading initiatives, promoting open communication between supervisors and the Senior Leadership Team. This two-way communication is essential for sharing insights, identifying potential hazards, and implementing effective safety measures.

By setting Key Performance Indicators (KPIs) for supervisors and senior leaders to complete site audits, as well as any actions arising, all employees are encouraged to play an active role in building our culture of continuous improvement. Regular audits, along with our cross-business employee safety committees, not only help in identifying existing safety risks but also proactively address potential issues before they escalate into accidents. This further supported by the proactive investigations we undertake regarding our highest risk activities to ensure that "work done is as imagined".

The company values the growth and development of its employees, often promoting from within to provide opportunities for progression. We are proud that many of our senior roles are fulfilled by individuals that have progressed from having been first appointed as an apprentice. Over the last year we have worked hard to implement a consistent competency matrix for all our field staff roles, important in resourcing our works with the correct skills and experience, as well as providing opportunities for training and career progression.

Several of our up-and-coming senior managers recently completed our Institute of Leadership and Management accredited "Future Leaders Programme". By participating in this programme, we are not only equipping our managers with new skills and knowledge, but also empowering them to play a vital role in shaping the strategic direction of the company. This initiative reflects a forward-thinking approach and underpins our commitment to fostering "home grown" leadership talent within the organisation.

The Compliance division continues to secure significant contract wins, maintaining a strong forward order book and pursuing opportunities due to its focus on key strategic sectors of **power, construction, critical grid infrastructure, retail, social housing, hotel & leisure, and higher education & universities**.

Typical examples of the work we are proud to be delivering in partnership with our key customers include:

Earthing & lightning protection works on **EDF's Hinkley Point** C nuclear power station.

Working with **Whitbread Plc** and their Premier Inn Hotels, delivering height safety and lightning protection solutions across their 1200 locations in the UK & Ireland.

Working in partnership with **HC One** across their 270 care homes, we're proud to deliver water treatment and legionella services for the fourteen thousand residents who live in their homes, encompassing dementia care, nursing, residential and specialist care, keeping residents safe and allowing HC One to remain focused on providing the positive and personalised care they need.

Core markets continue to perform

Across the UK, IWS Water Hygiene continues to be a leading supplier of legionella compliance services, water hygiene risk assessment, air hygiene, water treatment, maintenance and remedial works to commercial, local authority, social housing and industrial customers.

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

The generation of an effective risk assessment is very much a collaborative affair, with the need for our customers' responsible person, their facilities personnel or caretakers being present to show our assessor the location of the relevant assets when undertaking a water hygiene risk assessment.

Our risk assessment report includes details about the scope of water hygiene management undertaken and potential works that may need to be completed, key to our client's ability to generate their written scheme of control. Once the risk assessment questions have been completed, our systems automatically generate a maintenance regime to comply with the requirements of L8 / HSG274 and identify any issues of non-compliance (which require remedial/maintenance work). L8 specifies the minimum requirements for the maintenance programme and the software programme takes account of this when producing a recommended maintenance regime which we work with our customers to implement.

Water hygiene maintenance remains a core function, with IWS providing routine monitoring on customer sites in line with ACOP L8 guidelines. Temperature monitoring, sampling, and water tank inspections are examples of the type of work completed under the maintenance contracts IWS has with many institutional clients, namely, Councils, Housing Associations, Facilities Management Companies, as well as educational establishments and a large number of blue-chip customers. Many of these customers have had long relationships with IWS, testament to this is the high levels of retained and repeat business we continue to secure, often in, competitive tender to ensure our services are regularly benchmarked for their cost effectiveness and value.

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

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

Electric Vehicle Charging offers growing opportunity

With the UK rapidly adopting Electric Vehicles (EV), EV charging infrastructure is experiencing fast growth, specifically the need for commercial charging solutions. The UK Government has committed to reducing greenhouse gas emissions by 28% by 2035, moving to Net Zero by 2050. Transport, in particular cars, being confirmed as the largest source of emissions. Moving from petrol and diesel cars to electric vehicles (EVs) is therefore key to reducing emissions and meeting the Net Zero target. The UK Government has committed to end the sale of new internal combustion engine cars and vans from 2030. Omega Red has embraced this opportunity, drawing upon the wider skills of the SS Plc Group to create a new EV Charging Solutions business.

Our focus has been on providing EV charging solutions to meet business needs, designing, installing and project managing solutions for commercial premises and workplace charging schemes, existing petrol forecourts and larger public car park schemes. Acknowledging that the majority of our customer demands for EV solutions are for installations within their existing properties, but often require either a new or uprated electricity grid connection, Omega is able to draw on its technical expertise of electrical earthing design and installation to help make this process easier for our customers.

In addition, our integrated solutions approach includes the back-office support for customer billing, maintenance of chargers and associated infrastructure, all with the aim of ensuring high levels of availability and charger up-time are achieved, something that our customers have shared through feedback as being key to them and missing from many of our competitors' propositions.

Within the last year, an increasing number of customers have chosen Omega as their partner to provide EV charging solutions, including universities, businesses operating critical infrastructure, forecourt operators, commercial fleet operators and major hotel chains.

Commercial Water Production and Distribution

Overview

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

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

Business overview

- Office Watercoolers has been providing excellent service and high-quality water since 2001. With **more than 20 years' experience within the industry**, the business is now one of the most successful water cooler companies in the UK.
- Based in the Midlands, with depots across the country, customers are offered a nationwide service, installing bottled and mains fed dispensers and delivering water and a hot and cold beverage service.
- OWC operates as a founder member of AWS, a group of 8 independent Companies responsible for in excess of 70,000 units, initially set-up up as a buying group and with regional access to over 20 regional service depots which allows us the opportunity for shared national coverage.
- The extensive range of high-quality coolers the business offers can be sited in any location and satisfy all levels of demand, along with a high-quality customer experience.
- OWC prides itself on its customer service ethos. The company's dedicated teams work hard to deliver a highly tailored service and to establish long term relationships with all customers.
- Through organic growth and acquisition, Office Watercoolers now has a nationwide presence and can meet the demands of its customers.
- There have been some notable large customer wins within the last financial year.
- The industry continues to consolidate which creates further opportunities for expansion.

Business strategy

The UK Watercooler market consists of approximately 700,000 units which is roughly split 60-40 between bottled and mains fed with mains fed being the larger. Over the last several years OWC have migrated a significant number of bottled units to the more environmentally friendly mains fed units. OWC split is now 80-20 in favour of the mains fed option. We will continue to promote the more environmentally friendly mains fed option to all customers.

Whilst OWC continues to develop larger national key accounts, our target market is the 1-10 cooler smaller company account. This focus gives us less exposure to larger national accounts which are typically at very low margin.

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

Environment responsibilities include the recycling of all cardboard and plastic which reduces the company's carbon footprint. The introduction of a small inbuilt SIP machine (sanitise in place) also means a substantial saving on energy usage for our customers.

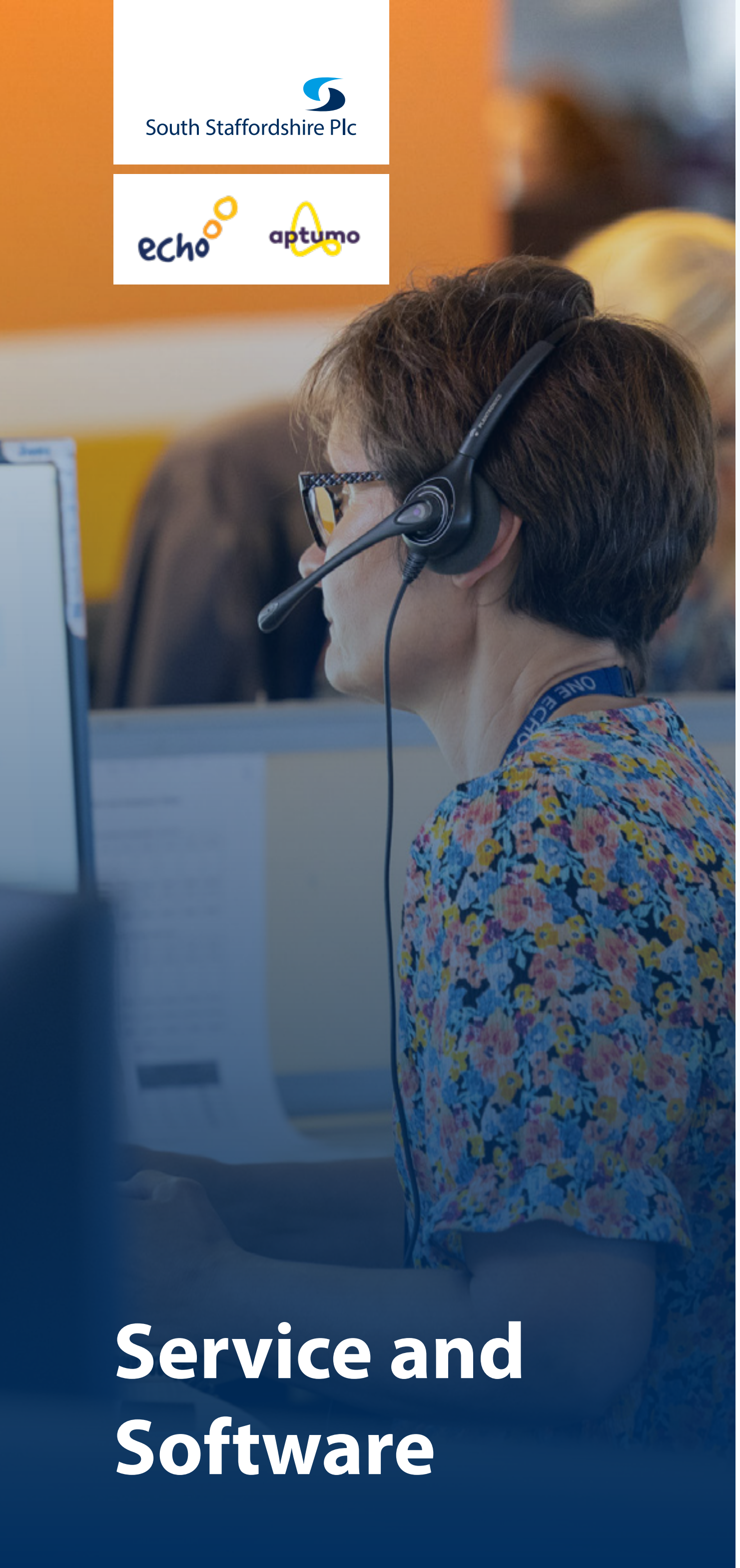
Employee wellbeing is at the heart of everything we do. Training and personal growth opportunities give all employees a chance to grow and promotes a happy and healthy workplace. The introduction of flexible working hours also gives OWC the opportunity to recruit from a wider pool of individuals whilst encouraging existing employees to have a greater work life balance.

Community and charitable causes are important to the company. OWC sponsors a local junior football team and supports the larger charitable groups Just a Drop and WaterAid.

Our Health and Safety record is excellent. We continue to plan, monitor and control all related H&S measures with input from our wider Group expertise.

Summary

The business will continue to be one of the leaders in the watercooler sector. With the help of our suppliers, we continue to help develop the next generation of environmentally friendly watercoolers.



Service and Software

Overview

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

Market conditions remained mixed throughout the year. In the UK, PR24 preparations led to delays in the timing of water company billing software procurements, and the cost-of-living crisis continued to impact our clients in both bill affordability and debt collection. In Australia, the market is entering a more buoyant phase as a significant number of the utilities have identified their intentions and commenced preliminary planning to replace their legacy billing solutions over the next few years. In addition, the various state-based regulators are continuing to place greater emphasis on customer centric service models which aligns with the inherent benefit of selecting Aptumo on Salesforce. In the US, the market is regaining momentum following the global pandemic, with water utilities refocusing on change programmes, including billing system replacements.

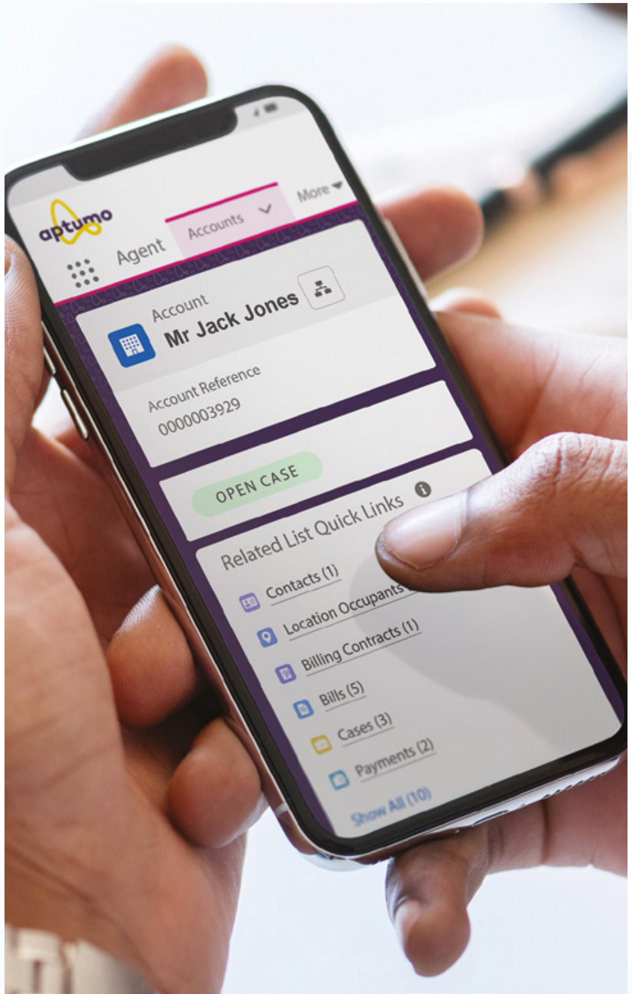
The business was impacted in the year by a cyberattack on its parent company, South Staffordshire Plc, with the theft of data relating to current employees, some past employees, and some of its sister company's customers. A full support programme was put in place for those affected, including setting up a dedicated helpline and paying for 12 months' access to credit and fraud protection monitoring. Echo worked alongside its client South Staffordshire Water (SSW) to support customers through the notification, advice, and support process.

Overall, Echo delivered good performance and progress across the year, supporting its existing clients with their ongoing priorities, making continued progress in its overseas expansion plans in both Australia and the USA and, in the UK, being awarded a significant new contract with Northern Ireland Water (NIW) for both end-to-end customer service delivery and supporting software.

Strategic direction

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

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



Software services

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

SSW became Echo's second client in the UK to go live with Aptumo, the company's next-generation, cloud-based billing and customer information software, helping them to simplify processes, offer customers more choice in how they communicate with the company, and deliver more self-serve options to further improve customer service. A new 10-year contract was also secured with Echo's longstanding client NIW, which will see Aptumo implemented in the client's operations alongside Echo's end-to-end customer service provision.

During the year, North East Water became the second client to go live on Aptumo in Australia, and Echo continued to actively bid on live procurements in the water sector and strengthen its partner network. Continued investment in an Australia-based team and taking part in key industry events has further solidified Echo's presence and commitment as a valuable supplier to the Australian water sector.

Having launched Aptumo in the USA in the previous year, Echo has continued to progress its expansion plans in this geography, embarking on a new partnership with a water sector system integrator, establishing a USA-based business development team, and preparing the foundations for the tender opportunities anticipated in the year ahead.

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

End-to-end customer service and collections

Echo has continued to support its client SSW in its ambition to deliver an excellent customer experience. Performance in the year for C-MeX was impacted by the cyberattack on parent company South Staffordshire Plc, however Echo was able to support SSW in exceeding its target for the number of customers helped during the year and the percentage of its household customers registered on its Priority Services Register.

During the year, the implementation and go live of Aptumo was a key focus for Echo's SSW customer service operations team, a significant change programme which will support SSW's ambition to deliver the best possible service experience for customers.

Echo delivered in line with all targets for its client NIW for the ninth successive year and, following a competitive tender process, has been awarded a new 10-year contract with NIW. Echo will now implement a new and innovative market leading service and software solution to help NIW in their ambition to deliver world-class customer service. The team also celebrated two significant award wins during the year receiving Contact Centre of the Year and Best Employee Development Programme at the Contact Centre Network Northern Ireland annual awards, and Echo's role as an outsourced customer service provider to NIW was also recognised at the UK National Contact Centre Awards.

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

Looking to the future

The water sector continues to evolve globally, and Echo remains focused on supporting its clients to deliver against regulatory, customer and wider stakeholder requirements and priorities. Echo remains well positioned to be a trusted service partner to water utilities in the areas of customer service solutions and billing and collections.

The cost-of-living crisis is anticipated to remain a challenge in the year ahead in relation to water bill affordability and debt collection strategies. In addition, customer expectations continue to rise with customers seeking excellent service and greater choice. Data, insight, and billing choices are anticipated to become more prevalent priorities alongside the sector's smart metering agenda and the global need to reduce water usage.

Echo will continue to innovate and offer both software and services that help its water sector clients deliver efficiently both for consumers and against the drivers from the market regulators. Software development and the product's roadmap remains firmly aligned to the priorities of the UK water sector as it plans for the next AMP, and the challenges and drivers in overseas markets – in particular Australia and the USA.

With its customer service offering, a key focus for Echo will be implementing the new, innovative solution for NIW in preparation for the end of the current contract and commencement of the next. With Aptumo live in SSW, Echo's focus will be on embedding the system into operations and supporting its client to maximise the customer benefits of a next-generation solution alongside a continuing focus on C-MeX, debt collection and complaints, with Aptumo being a key enabler to drive performance.

The business will also continue to grow its India subsidiary to support the water sector with operational agility for a range of back office and administration activities.

Case study

Supporting South Staffordshire Water (SSW) with its plans to deliver exceptional customer service

Echo Managed Services, which operates SSW's contact centre, billing, and debt collection services, collaborated with the water company to implement Aptumo billing and CRM software to enable the delivery of exceptional customer service now and over many years to come.

Challenge

SSW customer service teams were operating on a legacy billing system that had been heavily adapted over time. While still relevant and functional, it lacked the flexibility to enhance the customer experience by making full use of customer data to drive personalised interactions or offer options like self-serve or omni-channel access.

Why us

SSW chose to implement our proprietary billing software, Aptumo, because of our water sector specific heritage and strong reputation as a trusted delivery partner. Echo is a long-term, trusted partner to the sector and we have utilised our extensive knowledge of the challenges water companies face every day to develop a cloud-based SaaS product that leverages the global influence of the Salesforce platform to offer a solution that benefits from world-class data security and access to a multitude of other business enhancing apps through the Salesforce AppExchange.

What we did

Echo worked closely with SSW to understand their customer service pain points and their ambitions to achieve and maintain upper quartile positioning in the C-MeX league table. The flexibility of the Aptumo product offered a variety of options for the SSW project team to build the customer journeys that would satisfy their customers' needs, including digital or self-serve options for those who are comfortable with speed and minimal interaction, while ensuring that one-to-one support was easily accessible for customers who prefer it.

The implementation project included work streams around design and build, governance, system integration, reporting, testing, data migration, and change management. Customer facing agents received comprehensive, hands-on training throughout the project to ensure they were comfortable with the software when go-live happened.

Outcome

Aptumo went live at SSW in February 2023. Additional support was made available to users in the weeks immediately after go-live to quickly identify any potential issues or defects and resolve them without delay. This period lasted for four weeks when the teams transitioned to business as usual. All efforts have been made since then to stabilise the service to ensure customers can access the help they need when they need it. The months and years ahead will reveal the true potential of Aptumo as it revolutionises customer service provision by SSW.

Environment, Social and Governance (ESG)

Overview

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

We **are considering if** we **are** in-scope for the new UK Climate Related Financial Disclosure Regulations in the following reporting year of 2023/24. Building on our work gathering a range of ESG data from our businesses, we are currently working on producing a standalone compliant ESG Report. The aim is for this to be customer-facing and accessible to all our stakeholders as we strive for greater sustainability and social responsibility.

Many projects are currently ongoing, such as developing a Group ESG sub-committee and a data assurance and confidence grade register, which will demonstrate our commitment to this area. We are considering if the Group falls into scope for mandatory reporting. If we do fall into scope, then we will integrate all the related ESG content that you see below into our Annual Report.

Environment

The Group is mindful of the impact of its operations on the environment and is passionate about playing its part in protecting the natural environment for the years to come. This includes supporting climate resilience and biodiversity as well as reducing waste, conserving water and sustainable supply chain sourcing. The Group reports to its investor Arjun Infrastructure Partners on its performance in all these areas regularly.

More recently, this has included reporting on a host of metrics, such as energy production and consumption so we can better understand our usage and set targets to drive positive change in the relevant areas.

Some examples of environment initiatives within the year include:

Example 1

Within the year, our Group business OnSite received a prestigious ten-year achievement in carbon reduction award from Achilles. This milestone reflects the company's unwavering commitment to environmental responsibility and its dedication to making a positive impact on the planet.

During the last decade OnSite has identified and implemented several specific initiatives to reduce the carbon footprint of the business and its activities. These include solar PV installation at OnSite's head office, energy efficient LED lighting installation at depots, introducing battery charged site equipment to replace petrol generators, introducing a carbon friendly CCTV inspection fleet and an electric vehicle company car policy, and the deployment of vehicle telematics to support MPG savings in vehicles yet to transition to electric vehicles.

Example 2

The **Cambridge Water** and **South Staffs Water SPRING catchment management programme** is an environmental protection scheme, supporting farmers and landowners to explore catchment-friendly approaches to land management. Catchments are areas where water is collected by the natural landscape, and the water quality can be affected by agriculture, forestry, industry, waste management and other factors.

Cambridge Water and South Staffs Water make grants of up to £15,000, so that farmers and landowners can reduce the amount of agricultural pollution entering rivers and reservoirs in the suppliers' regions. At one farm in the South Staffs region, SPRING funded the installation of a 30,000 litre rainwater harvesting system, and then doubled its size during the reporting year. This reduced the farmer's water bills, increased milk yields and benefited livestock, as cattle prefer rainwater to tap water. Cambridge Water and South Staffs Water continue to work with farmers and landowners, encouraging them to adopt more sustainable farming and land management practices.

Example 3

The Group continues to electrify its fleet, encouraging all drivers at all levels to choose electric or hybrid vehicles and taking increasing deliveries of small electric vans for field-based teams. To support this, further investment in EV charging infrastructure across Group sites took place in the year, with EV chargers now installed at the Group's head office and many of its businesses' regional depots. We plan to continue to expand this important work in the year ahead.

Social

The Group seeks to foster positive and collaborative relationships with its employees, customers, suppliers and the wider communities in which its businesses operate. This includes valuing and promoting diversity and inclusion as an employer, attracting and developing talent, having a positive community impact, ensuring customer satisfaction and providing a safe work environment for our people. The Group reports to its investor Arjun Infrastructure Partners on its performance in all these areas regularly including a host of metrics, such as gender pay gap information and employee engagement scores.

Diversity and Inclusion

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

The Group takes steps to promote gender diversity including aiming to attract more diverse applicants to vacancies, further developing flexible working arrangements and encouraging more diversity in engineering and technical roles. Within the year, several Group businesses recently held unconscious bias training for all senior leads to help further ensure that no one is unfairly discriminated against.

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

A positive community impact:

During the year, the Group continued to invest in supporting local communities and causes close to the heart of the sectors we serve. Some examples of initiatives include:

Example 1

South Staffordshire Plc was a supporting partner for the 2023 Birmingham Walkathon, an initiative run by the Help Harry Help Others charity. This was an important local event for the Group to support, and one which was close to the hearts of many of our employees.

Birmingham schoolboy Harry Moseley started the charity before he lost his battle with cancer in 2011 and his family continued his legacy – supporting families affected by cancer in the heart of the community.

Harry and our late colleague Robert Harley met whilst they were both going through treatment and formed a supportive friendship. In their memories, the Group was delighted to be able to support this fundraising event.

Example 2

Within the **SSI waste, water and infrastructure and compliance divisions**, colleagues continue to support local causes as well as those that are important to their clients. This tends to be smaller, more localised community and fundraising initiatives. For example, OnSite once again entered the Thames Water Raft Race to raise money for WaterAid, carried out fundraising events to support local hospices, provided free transport and welfare to support a 'mighty hike' raising funds for Macmillan cancer care and donated time and resources to clear a local bridal path for the Warwickshire community. Hydrosave, IWS M&E and OnSite Pipelines all took part in an event within the year to support The Edwards Trust, a charity that supports children, young people and families facing loss and bereavement in the West Midlands.

Example 3

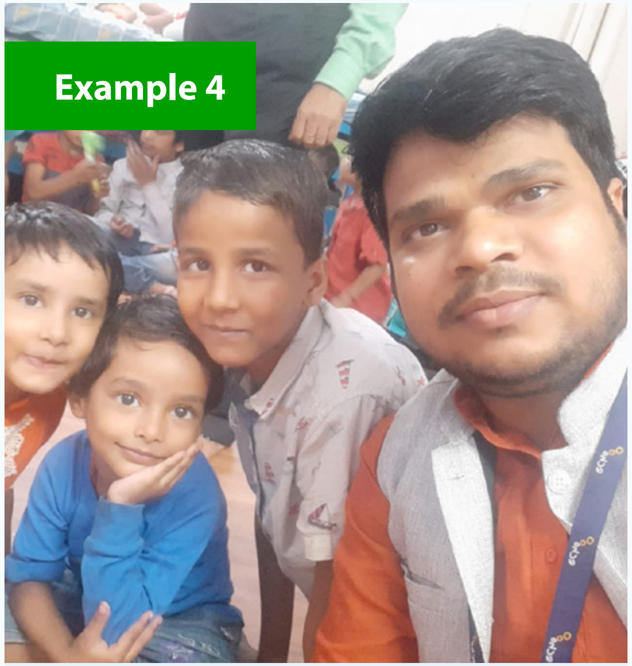
South Staffs Water's community hub is located on Wednesbury high street, at the heart of one of the region's most socially deprived areas.

Initially conceived as a 12-month, 'pop-up' shop that was intended as a temporary space for customers to speak with the business in person, the hub has since evolved into an integral part of the Wednesbury community.

The vision was to provide a trusted and accessible location for our customers to interact with the business and other support agencies. Since opening its doors on 27 April 2018, the hub has welcomed thousands of visitors and provided a venue for many community groups.

The hub and its team have supported so many community initiatives, including food bank donations, school uniform swaps and being a designated drop-off point for clothing and essential items for the Turkey earthquake appeal.

Example 4



In India, **Echo Managed Services** has supported the Mala Smriti orphanage for a number of years. The orphanage is a non-government funded operation which relies on regular support from the community in order to provide the best care and environment possible for the children who find a home there. As well as running a number of activities to raise money for the orphanage, The Echo India team pride themselves on giving their time and efforts to give the children a better life. Each year, the office hosts Santa Claus and the children are invited to come in, hear stories and have a party whilst also receiving a gift from Santa. The children are often also invited to join with festivities such as Holi, the festival of colours, and food is provided by Echo to the orphanage for other celebrations.

Health and Safety

Governance for performance and oversight of significant events rests with the Group Executive team, supported by the Group Head of Health and Safety. We believe safety at work is a basic human right, and workplace conditions directly impact our employees, as well as their families and communities. Our employees should expect an unequivocal level of dedication and continual improvement, using a determined learning approach so they can go home safe every day.

Fulfilling our statutory duties is an obligation but one driven by the ethics of caring for our people. The Group's all accident performance continued to improve during 22/23. Injury rate fell from 1.25 to 1.14. Most of the events in this banding are of low potential severity, but a reduction remains a positive marker. Our RIDDOR performance also improved from 0.11 to 0.07. More positive indicators, such as near misses and leadership visits, remain healthy compared to previous year and are illustrative of the value we place on an open, honest and proactive reporting culture that allows our people to share their knowledge, experience, skill and innovations.

We continue to work hard to transform how we think and manage health and safety, widening our view from just focusing on accidents. An important change has been around how we classify, treat and focus on high potential events. Our most pleasing improvement was a reduction in our high potential severity events (HiPo's) reduced from 0.31 to 0.18. This indicator was a new addition to the Group 2 years ago as a means to hold us accountable for focusing on our most critical risks. We have also introduced a performance metric that requires our businesses to undertake proactive investigations in their critical risk areas, to allow us to learn and improve instead of waiting for the accident of high potential event to occur.

Last year marked our first Group Health and Safety conference and we have evolved that conference in 2023 to build on the outputs from last year. This year saw the introduction of four award categories that our businesses were able to make nominations for. These awards included; Best Safety Leader; Best Safety Innovation; Best Proactive Investigation; and our CEO's Award. We had some very worthy winners who are committed to safer outcomes for our people.

This year has also marked a maturing of embracing a more evolved method of managing health and safety as we embarked on a series of intervention workshops in several of our businesses, as the Group strategy has moved towards a more progressive safety principles based on the complex connections between people performance and systems. This is helping the Group understand its most critical risks and how we set our systems to expect, absorb and recover from human variability. The aim being that we become more resilient. We are influencing our culture to create the conditions to enable our people to share their expertise and challenge how work gets done.

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

A great place to work:

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

Example 1

Our Annual Employee Engagement Survey

The Group carried out its first ever group-wide employee engagement survey during the year focusing on the areas of basic needs at work, individual contribution, teamwork and a sense of belonging, and growth and progression.

The survey highlighting both some key areas of strength, with scores above those typically seen in UK organisations and some areas for further improvement, with scores lower than those in the average UK company. Based on the results, the Group carried out a further deep dive into the lower scoring areas and developed action plans at a local business level to drive further improvements based on employee feedback. Moving forward, the Group will continue to survey its employees annually and also introduce more frequent pulse surveys to better understand the impact of its improvement plans.

Example 2

Pinned for Success Awards

Our Group business Echo Managed Services launched a new employee recognition programme within the year. The Pinned for Success initiative aligns with Echo's values, drives key behaviours that support excellent customer service and awards employees with recognition from their peers – be it delivering service with a smile, being a team player, driving Echo's future or going above and beyond.

Successful nominees are recognised monthly during the business's celebration events and the wall of champions further celebrates one standout performer each month from all the employees who have been recognised. The Pinned for Success programme is driving a culture of recognition within the business, helping ensure employees at all levels and in all areas of Echo feel valued for the work they do every day.

Example 3

Joining Women in Utilities Network

Group business South Staffordshire Water, incorporating Cambridge Water and South Staffs Water, joined Women's Utilities Network (WUN) during the year. WUN is a group focused on helping to support and encourage women within the utilities sector, and the new partnership demonstrates the business's commitment to encouraging diversity in the water industry and supporting its female colleagues.

Women are still underrepresented in utilities, making up only 26.1% of the workforce across the sector. The business wants to do all it can to showcase that a career in utilities, and the water sector in particular, is an excellent opportunity for all women and help its female employees to further develop their skills and career opportunities within the sector.

Governance

Good governance, compliance and business ethics are fundamental to the Group and its operations. This influences the makeup of our Board and how it operates and procedures such as anti-bribery, modern whistleblowing, and cyber security and data performance. Reporting in all these areas is regular to our investor Arjun Infrastructure Partners, and more information on this can be found within the Governance section of this Group annual report.

Financial review

Overview

The Group monitors its financial performance through targeted Key Performance Indicators such as Turnover, Profit, EBITDA, Net Debt and dividend distribution. In the year ended 31 March 2023 the Group was adversely affected by the geopolitical climate and subsequent surge in the prices of energy and chemicals, together with the impact on the non-cash interest payments on the RPI index-linked debt in the regulated water business.

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

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

Turnover and profit

Group turnover increased by 25.3% to £353.5m in the year (2022: £281.2m). Turnover generated by South Staffs Water increased to £141.8m (2022: £140.1m), from both household and non-household metered revenue as we continue to be impacted by customers' post COVID-19 pandemic working patterns with higher household consumption.

In July 2022 South Staffs Water processed a one-off void adjustment where 4,904 properties were confirmed to be unoccupied and so were moved to void status, resulting in a £3.9m reduction to household turnover and £1.0m reduction in bad debt charge. These were identified to be vacant properties for a period of time and therefore the majority of the adjustment impacted household turnover in prior years. As a result, we have made a prior year adjustment for this amount as set out in note 33 in the financial statements.

External turnover from the non-regulated service businesses increased by £65.0m to £210.6m (2022: £141.8m). This is due to particular growth within the Onsite Central Limited business which was successful in securing new framework contracts. As well as this, the current year includes 2 months of the acquired business that was completed during the year.

Group EBITDA (before infrastructure renewals) of £71.6m, reconciliation below, was £6.9m lower than the previous year (2022 revised: £78.5m). South Staffs Water operating profit reduced in the year, mainly as result of the higher energy and chemical costs.

Alongside this, the prolonged drought and a cold winter led to an increase in the number of bursts on the South Staffs Water network. This has resulted in us mitigating costs elsewhere across the business whilst making sure we continue to deliver for our customers.

During the year the Group was the subject of a sophisticated criminal cyber-attack resulting in some disruption to operations and data being exfiltrated from the IT estate by the criminal gang. The criminals sought to extract a ransom payment from the Group in return for assurances that the stolen data would not be published on the dark web. The Group refused to pay such a ransom in the belief that this would only encourage the criminals from repeating the action and consequently certain data was added to their blog site. The Group's IT estate was not the subject of an encryption event and because of significant efforts by many people across the Group business operations were largely restored to normal within a few weeks of the attack being identified. As a result of the data breach, South Staffordshire Water Plc notified a number of customers that their personal data could be compromised, and they should take extra precautions against the risk of identity theft or fraud. A support package, including a dark-web monitoring service, was offered to all known impacted customers and staff.

The Group notified the required regulatory authorities immediately it became aware of the incident and has fully cooperated with the resulting investigations, which remain on going.

As a result of the cyber-attack the Group incurred costs with engaging specialist cyber legal and technical advisors and those of notifying the related customers and staff. These costs considered as exceptional in nature total £5.6m.

Profit performance in the Non-Regulated Service included higher profits for the non-regulated services businesses driven by increased sales and activity across several of the businesses. Group operating profit, before exceptional items associated with the cyber-attack, was £23.8m (2022: £33.5m), lower than the previous year's performance due mainly to cost pressures in South Staffs Water. Operating profit for South Staffs Water, before exceptional items was

£27.2m (2022: Restated £32.5m).

There was an increase in net finance charges in the year of £20.3m to £42.1m, due to an increase in the index-linked debt charges because of higher RPI and the finance restructure that was carried out last year in drawing down additional funding.

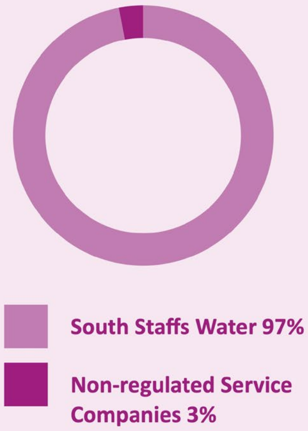
Overall, Group loss before tax was £23.1m (2022: £7.6m profit). There have been 2 prior year restatements identified, relating to voids, and the revaluation reserve. Further details can be found in Note 33.

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

	2023 £'000	2022 restated £'000
Operating profit	18,986	27,909
Depreciation	30,864	31,360
Infrastructure renewals	18,864	12,845
Amortisation of goodwill	5,464	2,867
Impairment of goodwill	-	6,124
Amortisation of intangible assets	843	778
Amortisation of capital contributions	(3,432)	(3,356)
EBITDA (before infrastructure renewals)	71,588	78,527

Group turnover

Analysis of Group operating profit



Tax

The tax credit for the year reduced to £6.7m (2022: £19.0m charge restated). In the prior year there was a one-off increase reflecting the increased in Corporation Tax rates from 1 April 2023 (charge £15.0m). Current tax has been recognised at 19%.

The main driver for the tax credit being lower than the statutory rate of 19% (2022: 19%), of pre-tax profits was due to the Group goodwill amortisation charges not being deductible for corporation tax purposes.

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

Cash flow and dividends

The Group continues to place significant emphasis on its cash flow. Group cash flow from operating activities was £33.4m (2022: £86.3), with the decrease relating to lower profits as a result of higher costs and with lower amortisation and impairment of goodwill add back. Capital investment (net of contributions, disposals and capital creditor movements) was £90.5m (2022: £40.7m) with the movement due mainly to increased capital investment by South Staffs Water, as it progressed significant upgrades at its two main treatment works, Seedy Mill and Hampton Loade. To secure key materials for the Hampton Load project expenditure was higher than the budget expectations for the year.

On the 31st January 2023 the Company completed the acquisition of 92.5% of the issued share capital of The Infrastructure Gateway Group of Companies Limited for initial consideration of £22.0m.

On the same day the Company's immediate parent company, Aquainvest Acquisitions Limited, subscribed for 2.3m new ordinary shares for a total price of £32.4m representing £1m of nominal value at 42.5p per share and a share premium of £31.4m.

The Company did not propose or pay dividends during the year (2022: £24.7m).

Financing, net debt and liquidity

Group net debt reported for covenant purposes at 31 March 2023 amounted to £519.6m (2022: £424.9m) The movement being largely due the increase in the value of index-linked debt in South Staffs Water. Group net debt for statutory accounting reporting purposes under FRS102 at 31 March 2023 amounted to £543.3m (2022: £452.8m) with the value fully reconciled to the value used for covenant purposes in the notes to the consolidated cash flow statement along with a detailed analysis of the Group's net debt.

In South Staffs Water, net debt for covenant reporting purposes was £305.8m (2022: £231.0m) being 59.3% (2022: 51.4%) of its regulatory capital value (RCV) of £515.9m (2022: £449.6m).

The Group and South Staffs Water have maintained and continue to forecast to maintain headroom in respect of borrowing covenants that would otherwise be a breach of the agreement. These include both interest cover and leverage covenants. Standard & Poor's continues to rate South Staffs Water as BBB+ (Neg), well within investment grade.

At 31 March 2023, the Group had undrawn bank borrowing facilities of £nil (2022: £nil), in addition to its cash balances of £52.0m (2022: £70.3m), providing liquidity headroom of £52.0m (2022: £70.3m).

Risk management

The Directors acknowledge that in operating an integrated services group comprised of regulated and non-regulated businesses, we may face a diverse range of risks and uncertainties, and these cannot be eliminated entirely. Our approach should enable us to deal with these in an informed and intelligent manner, so that the level of exposure is one acceptable to the Board (and Executive Management) whilst enabling us to balance delivery of strategic and operational business objectives with maintaining the long-term viability of the Group.

It is recognised that our risk landscape is dynamic, the significance of existing (identified and assessed) risks can change and new risks emerge. Causal drivers and factors arising externally can affect us directly, for example high energy costs and the related economic aftershocks together with high levels of inflation. An ability to pre-empt or mitigate the effects of these is therefore essential and contributes to our continuing resilience.

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

The Board of Directors, (assisted by the Audit and Risk Committees and Senior Management teams), review and challenge the management of, and current exposure for, Group-level risks. Where additional strengthening or improvements are deemed as required, action plans are agreed to address these.

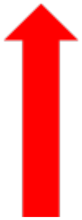
Those risks the Directors believe to be the most significant for the Group are presented as Principal Risks.

Details of the Group's principal financial risks are provided in note 28 to the accounts.

Principal Group risks

In relation to our risk profile, certain risks are specific to the objectives of our regulated water business (e.g. ensuring the supply of clean, wholesome water). There are other risks that relate to objectives common to all Group businesses and corporate functions (e.g. staying safer together and not causing harm to our people, and others, through our working practices) whilst some reflect the nature of the different products and services provided by the non-regulated businesses (e.g. securing further growth in specialised markets).

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

Risk title and status	What this risk means for us	How we manage this risk
Supply of good quality water# 	As a water only company (WOC) operating in two distinct regions (South Staffs and Cambridge), the supply of clean, wholesome water to customers is a legal requirement. Ensuring a secure supply of a quality product is therefore a priority for us. One or more potential risk events could arise (some with clear interdependencies) in the journey from source to tap which would undermine our ability to deliver this. Our risk-based Drinking Water Safety Plan (DWSP) is used in identification, assessment and management of relevant risks. Failure to manage risks to water quality can adversely affect public health, generate regulatory penalties and / or enforcement action, and reduce the level of trust and confidence our customers and other stakeholders have in us.	The range of control and mitigation measures we have in place include: • Quality control with established sampling and testing protocols; • Chemical and physical treatment processes; • Asset management – cleaning, maintenance, replacement; • Balancing water resources and production planning; • Pressure / flow management and leakage detection; • Network monitoring and rapid response capability; and, • Drinking Water Safety Plans (DWSPs). The investment made in upgrading the treatment processes at our Hampton Loade and Seedy Mill water treatment is recent example of how we have invested in capital works to strengthen our risk management and resilience to support the continued supply of clean, wholesome water. We have identified opportunities to increase further the robustness of our DWSP risk identification, assessment and treatment processes and will also implement an improved governance process to directly support our fulfilment of quality system requirements. Both these initiatives will be delivered during 2023/24.
Water resources# 	We are committed to ensuring the sustainable and resilient supply of sufficient water to meet our customers' needs for decades to come. Climate change and continuing population growth present challenges that have a direct effect on water sufficiency. For example, changing weather patterns can produce extended periods of hotter, drier conditions, leading to droughts (as seen already in 2018 and 2022), generating a higher probability of the scenario arising where an increased demand for water threatens to outstrip available supply (both raw source and treated) necessitating water use restrictions. There is also an increased stakeholder focus on environmental factors associated with abstractions. A complex picture of related potential risk events can develop which, in turn, requires careful management of supply and demand activities, so that we can continue to provide the quantity of water required by our customers into the long-term.	Control and mitigation measures include: • Long-term Water Resource Management Plans (WRMPs) for our South Staffs and Cambridge Regions - these reflect the effect of climate change on the pattern of drought conditions, forecast future demand and water availability; • Drought plans, consistent with our WRMPs. which set out the actions we will take under drought conditions – these being issued every five years in line with statutory requirements. We have updated our drought plans and focused particular attention on our Cambridge region through our work with Water Resources East to identify medium and long-term solutions for additional water resources – including, amongst other things, the Fens reservoir in collaboration with Anglian Water. • Tracking of leakage and PCC metrics;

Risk title and status	What this risk means for us	How we manage this risk
	A failure to effectively plan and balance water supply with demand has the potential to impact public health adversely, affect our longer-term finances, cause damage to stakeholder trust and tarnish our reputation. Further, should we not achieve the envisaged demand reductions through such initiatives as large-scale leakage reduction, lower per capita consumption (PCC) levels and more household metering, then we will not meet our related targets and commitments for the current PR19 planning period.	• Our business plan for the current planning period (2020/25) which includes an ongoing asset maintenance programme, designed to minimise the risks of short-term supply interruptions; and, • In addition, we are collaborating with other water companies and key stakeholders through Water Resources East (WRE) and Water Resources West (WRW) to produce long-term regional water resources plans. In 2022/23, in order to maintain water supplies to customers, we breached two abstractions licenses in our Cambridge region. Steps were taken to minimise the impact of this breach and actions will continue into the 2023/24 year ahead. As part of this, we will: • Continue to work with the Environment Agency; • Engage actively with other stakeholders through WRE and WRW; • Maintain investment in our infrastructure to help reduce demand and leakage; and, • Actively explore the development of new, sustainable water sources.
Health and safety*	Staying safe together is a critical objective for us and we do not want our operational working practices to cause harm to our employees or others. Understanding the natural and man-made hazards associated with an integrated services group like ours, and so keeping people safe, is a core responsibility that we take seriously. A failure to ensure the effective and compliant management of our Health and Safety responsibilities will not only cause direct harm to people but can have consequences that include: • Externally led investigations; • HSE actions and fines; • Legal prosecutions; • Additional (unbudgeted) costs for improvements and compliance measures; • Compensation claims; • Negative publicity; • Loss of stakeholder trust;	Relevant control and mitigation measures include: • Use of a Group critical risk register in capturing the identification and analysis of hazards, which of our businesses these apply to, any prevention and recovery barriers that are to be overcome through targeted actions; • A legal register recording hazard type, applicable legislation, controls and our assurance mechanisms together with current compliance status; • Group Health and Safety Standards (HSS) including HSS1 - event notifications, reporting, alerts and investigations with HSS9 - critical risk management to follow; • A severity matrix to inform us and assist in directing efforts and resources; • Focusing on ‘high potential’ risks e.g., around confined space management; • Conducting executive team and senior management workplace audits, with targets agreed for all management levels;

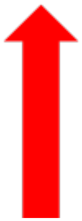
Risk title and status	What this risk means for us	How we manage this risk
	• Reputational damage; • Triggering breach of contract terms or exclusion from tenders; and, • In certain circumstances, custodial sentences for Directors.	• Carrying out health and safety training, and face-to-face induction training; and, • Driving a culture that puts critical risk management at the heart of everything we do. We have a clear Health & Safety five-year (2020-25) strategy and plan which includes: • Improving how our people interface with, and are supported by, our Health & Safety systems; and, • Developing safety targets that enable (frontline) worker engagement, building capacity, promoting ownership and encouraging a learning culture. We will continue to rollout our health and safety transformation initiative into 2023/24. This being based on human and organisational performance (HOP) and taking a holistic view of how we manage human adaptability better using a robust systems framework.
Regulatory performance commitments#	For our regulated water businesses, a key objective is to achieve the stretching targets and performance commitments (PCs) agreed with Ofwat under the PR19 final determination and so (where applicable) maximise financial rewards, minimise financial penalties and deliver positive outcomes for customers, communities and other stakeholders over the period. Ofwat has challenged us to deliver marked improvements in performance across the areas of leakage, bursts, supply interruptions and water quality compliance over the five-year period. We recognise that factors may arise which affect various PCs to differing degrees and, in managing these, we need to be prepared and able to apply proportionate and appropriate corrective or recovery actions to support achievement of the PCs over the remaining PR19 period. For example, the COVID-19 pandemic has had a direct and continuing effect on performance against our per capita consumption (PCC) target in each region (PR19SSC_C3 and PR19SSC_C4) as household consumption patterns have changed (increased volumes persist), whereas the pandemic has impacted our PC for supporting water efficient housebuilding (PR19SSC_C6) to a lesser extent as completion of residential units by developers was rephased to later in the	Relevant control and mitigation measures include: • Regular monitoring of compliance against our regulatory obligations and reporting on performance to executive management and Board, with processes in place for taking corrective actions; • Continual assessment of our position (e.g., delivery, finances) relative to those set out in our final determination; • Executive remuneration aligned with ODI performance, for example, as seen for the water business Managing Director; • Improved assurance processes; • Seeking to maximise achievable outperformance (reward) opportunities to offset potential underperformance (penalties) as we have 19 PCs that have financial incentives attached; and, • Acting at an individual PC level to take actions which are targeted at lowering penalty risk exposures, as far as practicable, within the existing constraints of available management actions, investment options and external volatility. Ofwat has been provided with information on our activity to reduce PCC given the marked, long-term effects that the COVID-19 pandemic has had

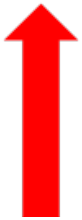
Risk title and status	What this risk means for us	How we manage this risk
	PR19 period, so smoothing the overall effect on the number of household meters fitted in new properties. The consequences of not achieving our regulatory PCs include: • In-period revenue impacts on financially incentivised performance commitments; • Reputational impacts from failing to meet PCs that customers see as important; • External factors impacting on performance, resulting in missed targets even where investment and actions have been implemented; • Impact on customer perceptions in future research where competitive data is used; and, • The potential for our position at the next price determination being affected adversely.	upon this PC. Ofwat has confirmed that performance will be reconciled at PR24, and that the size of the adjustment will depend on the actions we have taken to offset the impact. Further, during 2023/24, we are launching a campaign to encourage customers to use less water and help reduce PCC. We have also commissioned work to re-base our PCC target and reflect the impact of the COVID-19 pandemic.
Asset health and condition*	Our assets are integral to delivery across all our Group businesses and maintaining an asset base of optimum health and / or required condition to support continuing operations is a key objective for us. For our water business, we must ensure the continued supply of sufficient clean, wholesome water to our customers in a sustainable way. Our asset management plans, and risk management practices, need to support this capability both on a day-to-day basis and into the long-term future. Assets and their management across the Group can attract interest from a range of our stakeholders – including customers, commercial clients, investors, insurers and regulators. A failure to manage asset health and condition adequately can be a causal factor for risk events in our businesses that have severe consequences for us, including: • Failure of critical assets affecting the ability of our water business to deliver a safe and uninterrupted supply of water to customers; • Operational incidents that could cause harm to people or the environment; • The breach of regulatory requirements, legal obligations or commercial contract terms;	Across the Group, our businesses look to assess the risks to assets when making decisions on the prioritisation of investment (finance and resources). In our water business, we recognise that it would be impossible to mitigate the risk fully, in an affordable way, across the entire asset base. We therefore focus and prioritise investment on those assets that pose the greatest risk to service, regulatory compliance and the environment. The current water business plan supports optimum investment strategies to mitigate risk and includes significant investment in Hampton Loade and Seedy Mill water treatment works. There is a dedicated asset management function to provide proactive maintenance programmes and intervention; this based on the continuous monitoring of performance and the reduction of network failure rates through targeted mains rehabilitation. The asset base of our non-regulated businesses includes plant and equipment that is specialist in nature and reflects the range of services and products provided, for example, bore hole drilling, portable dams and no-dig pipe lining. We operate inspection, test and maintenance routines that support the quality and life of existing assets and will prioritise available capex to invest in essential, or the most cost-effective, items for new or

Risk title and status	What this risk means for us	How we manage this risk
	• Adverse effects on our performance metrics (e.g., water quality, customer service, on-time contract completion) which in turn will have potential financial, legal and reputational consequences; and, • Additional costs for emergency repairs and / or short-term hire (of e.g., plant, equipment or vehicles) to enable continued commercial contract delivery.	replacement assets and so maintain our capability (and capacity) to service a diverse range of existing and future clients.
Achieving our AMP7 leakage reduction targets#	Leakage is treated water lost from the distribution system, including that lost from our own distribution networks and consumers' supply pipe losses. Leakage depletes a precious resource, impacts supply resilience, generates lost carbon and produces wasted expenditure (as water has been treated to drinking water standards, requiring chemicals, and then pumped, consuming energy). Further, our customers have told us it is a priority for them that we focus on demand management and reducing leakage. Water resources management remains a key activity for us, and leakage management plays an important part in our longer-term objective of ensuring we can provide a sustainable and resilient supply of sufficient water to meet our customers' needs for decades to come. We have a commitment within our WRMPs to reduce leakage and mitigate the environmental impact of our abstraction. Should we not achieve the leakage targets for our Cambridge and South Staffs regions, then this would have the potential to result in significant financial and reputational consequences for us.	To keep our leakage targets on track in our Cambridge and South Staffs regions, we have identified the total expenditure (totex) required to bring our leakage levels down. This includes: • Employing additional leakage technicians to find and fix leaks; • Having more repair and maintenance teams to fix leaks; • Deploying additional resource to target leaks on customers' premises; and, • Making data and control improvements across our network. We recognise that the weather can have a direct effect on achievement of leakage targets, for example, multiple periods of freeze / thaw causing a significant volume of burst pipes across the distribution network. Looking ahead, we have a detailed plan in place and the totex for delivery has been approved in our budget for 2023/24. Further we are looking to apply innovation in how we prevent, find, and treat leaks. For example, this has seen an increased use of satellite telemetry in leak detection.
Impact of our activities on the environment*	As a Group, we have committed long-term to playing our part in protecting the natural environment, this includes supporting climate resilience and biodiversity, reducing waste, conserving water, sustainable supply chain sourcing and ensuring compliance with environmental regulations and/or legislation. We recognise that there are risk events which, should they arise during our activities (or those of parties acting on our behalf), have the potential to cause immediate, or more prolonged, harm to the environment and the communities in which we operate. For example, abstraction licence	For our water business, environmental obligations are summarised in our Water Industry Strategic Environmental Regulations (WISER) submission. Specific activities to manage this risk include: • An established incident management process in place to respond and recover; • Using the abstraction incentive mechanism (AIM), to help maintain sustainable abstraction practices; • Monitoring of compliance with our abstraction licences;

Risk title and status	What this risk means for us	How we manage this risk
	breaches; non-compliance with discharge permits; pollution incidents; sub-standard construction practices; and overall failure to be net zero by 2030. Should we fail to manage our impact on the environment, meet environmental standards and respond to related stakeholder concerns, then the consequences could include: • Damage or loss of habitats and reduced biodiversity; • Reduced ability to provide a sustainable supply to customers; • Loss of trust and confidence from stakeholders, including customers (who may in turn, be less willing to pay water bills); • Potential external (official body / regulator) investigations and action; • Fines and court costs; • Reputational damage; and, • Triggering commercial contract penalty / default clause and reduced opportunities to tender / bid for contracts and new work. The reputational impact (real and perceived) of our operations on habitats such as chalk streams and rivers has received greater media attention over the past year, driven primarily by the water and sewerage companies (WASCs) using storm overflows (with associated sewerage discharges).	• The work carried out by our established catchment management team, including working with farmers, landowners and communities to support controls over third-party activities and mitigate the effect of pesticides, fertilisers and organic nutrients on the environment and biodiversity; • Working to deliver specific ODIs / PCs relating to the natural environment; • MCERTS conditions being included on some South Staffs discharge permits; • The water strategy, operational technology and production teams working together to maintain MCERTs compliance for selected discharge permits; • Reviewing all discharges and compliances and putting in place a plan to ensure delivery in this area; • Working with other WRE members to identify alternative water sources and minimise the detrimental impact of abstraction on the chalk streams in our Cambridge region; • Carrying out benchmarking to improve our clean water pollution response and monitoring; • Investment to maintain and replace critical assets; and, • PEBBLE diversity fund in our South Staffs and Cambridge regions. Looking ahead, we have submitted our Water Industry National Environment Programme (WINEP) for the next planning period (covering 2025-2030) to the Environment Agency. This will build on our existing commitments, as well as deliver substantial improvements to the chalk streams in our Cambridge region. In our non-regulated businesses, working practices that support environmental approaches include: • Rapid spill containment, response and decontamination processes; • Risk assessments and method statements for works; • Training of employees and accreditation of our businesses; • Effective bunding and chlorination of pipework; • Electrification of the fleet for company car drivers and small commercial fleet vans;

Risk title and status	What this risk means for us	How we manage this risk
		• Installation of EV charging points at various office / depot locations across our Group estate; and, • Assessment criteria for suppliers and sub-contractors that include environmental accreditations and related working practices. As a Group, we are developing our plans to ensure that we can meet the obligation to net zero carbon by 2050. We report Group performance on key environmental metrics regularly to our investor Arjun Infrastructure Partners.
Non-compliance with regulatory and legal obligations* 	Our Group operates within a range of applicable legal, statutory and regulatory requirements, some of which are company specific (e.g., for our water business) and appropriate systems need to be in place to support compliance (including keeping pace with changes to our obligations). Should our water business fail to comply, then as a licensed water company, we could face actions by Ofwat or other statutory bodies including: • Our annual data returns not complying with Ofwat's guidelines, leading to us having to republish the information; • Being deemed as failing to operate a level playing field for retailers and developer services customers, breaching competition rules; and, • Not complying with our licence conditions, leading to regulatory enforcement action and fines of up to 10% of our turnover. For our non-regulated businesses, the consequences of non-compliance include: • Breaching commercial contract terms and conditions, triggering client action; • Investigations and potential punitive actions by official bodies; • Exclusion from bidding for contracts / works; and, • Negative publicity with reputational damage. All business areas could be affected adversely by how our stakeholders view us and the level of trust they have in us should we fail to meet legal and regulatory requirements.	For our water business, annually we undertake a formal review to ensure that we understand what our obligations are under the terms of our licence and evidence how we comply with these. This includes: • Assessing the impact of any licence or legislative changes made during the year and ensuring we adopt any new applicable obligations; • Review and publication of required documents, using appropriate internal and external assurance processes aligned with the agreed risk and assurance framework for data and information produced by South Staffordshire Water Plc; and, • Obtaining Board level approval and sign-off against all significant obligations, such as our customer charges and annual performance report. Our non-regulated businesses maintain knowledge and awareness of legal and regulatory requirements that apply to the sectors in which they operate and the contracts they deliver; whilst also keeping a watching brief on forthcoming and potential changes that may affect the specialist products and services offered and provide opportunities for us to promote how we can help other businesses in fulfilment of their legal or regulatory obligations.

Risk title and status	What this risk means for us	How we manage this risk
Supply – economic impacts# 	We aim to maintain a robust supply chain that supports our day-to-day operations and delivery of our capital works programmes. As an integrated services group comprised of regulated and non-regulated businesses, our supply chain can be complex and, in places potentially fragile, so we need to be able to manage shocks and disruptions affecting our ability to procure and secure the goods and services we require, at acceptable cost, quality and quantity levels. We have undertaken identification and assessment of risk in relation to the loss of critical supply for, and disruption to the delivery of, business critical items as: • Chemicals, which we require to treat the water we abstract to the required regulated standards; • Essential component spares, which could impact on the operation of key equipment, such as pumps for water distribution; • Stock consumable items, such as pipes and fittings, which could impact planned maintenance and repair work; • Fuel, which could impact all our businesses; and, • Construction materials, such as steel, required for capital works.	Our water business works closely with the Department for Environment, Food and Rural Affairs (DEFRA), Water UK, associated sub-groups and the supply chain to provide a sector-wide view of disruption to critical supplies. We continue to report through sector working groups to identify issues early – e.g., in relation to the delivery of chemicals. Project teams work closely with the supply chain to make sure orders of key materials are placed in sufficient time. Supplier deliveries and stock levels are monitored by our businesses. We will forward buy to secure supply and pricing where we deem necessary and prudent to do so. We utilise hedging on essential items such as fuel. As part of business continuity planning, we focus attention on reducing the potential impact that significant supply chain disruption could have on our different customer populations, such as potential loss of water supplies to household customers or delays and fulfilment issues for delivery of contracted specialist products and services to commercial customers.
Technology, systems and security* 	Critical information technology (IT) or operational technology (OT) infrastructure for our water and other businesses may fail in terms availability, security, reliability and performance which could result in material disruption to operations, corruption or loss of data, reputational damage, legal or regulatory breaches and related actions and sanctions from official bodies such as regulators. Further, we may not actively identify and explore opportunities to leverage use of new or emerging technologies to deliver efficiencies, operational improvements and transformation. There continues to be a heightened global threat of cyber-attacks by criminal gangs, nation states and hacktivists who seek to exploit weaknesses in defences. The potential for cyber-attacks on critical national infrastructure and services has increased following the war in Ukraine. Our water business is subject to complex regulatory regimes - specifically the UK GDPR, the UK Data Protection Act 2018 and the National Information	We employ multiple risk mitigation measures, including: • A Group cyber strategy that drives investment and operational planning; • Oversight of critical systems and suppliers to ensure the Group understands the data it holds, that this is secure, and applicable regulations are adhered to; • Using threat intelligence to analyse cyber risks to the Group; • A cyber-risk management framework that reviews the risk across the business together with the roll out of increased cyber-awareness training across the business - this overseen by the Audit and Risk Committee to provide assurance to the Board; • Applying robust change control processes to ensure changes to live systems are rejected until the risk to confidentiality, availability and integrity of data is reduced to an acceptable level;

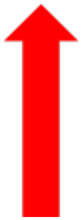
Risk title and status	What this risk means for us	How we manage this risk
	Security Regulations 2018 – which apply different frameworks and standards to our IT and OT infrastructure. If we do not meet these complex legal standards to protect personal data and our operational technology, consequences include: • Breaching regulations; • Incurring fines and other sanctions; • Facing reputational damage; and, • Receiving compensation claims from affected individuals.	• Regular monitoring and updating of our plans to replace and upgrade our operating systems and databases as required; • ISO27001 accreditation for our Group IT services; and, • Multi-factor identification. In a process of continuous improvements, we are implementing further changes to email and internet security, alongside other steps to strengthen the resilience of our network. Additional training and guidance on internal policies covering cyber security and GDPR awareness and compliance is also being provided. A specific OT Risk Evaluation Group is responsible for risk identification, management and, where required, escalation in our water business.
Financing our business* 	As a Group, our key financing risks relate to: • Borrowing facilities – where a potential breach of terms and conditions, including financial covenants, could cause technical events of default which, in turn, may have a range of consequences, including lenders dictating the terms to resolve. • Liquidity – where an inability to maintain funding and liquidity at the levels required to support ongoing operation of the business, could lead to effects including serious cashflow issues; difficulty in paying all suppliers (resulting in accounts being put on stop); and open questioning of our going concern / continued viability position. We aim to ensure that the Group remains financially resilient and maintains its long-term viability. Should we be unable to fund our business sufficiently then this will impact such aspects as meeting the ongoing funding requirements for our water business's operational costs, capital programme and long-term debt refinancing, together with working capital and some capital expenditure requirements for the other parts of the group. We must maintain key financial ratios to comply with the covenants of our debt providers and the relative credit rating agencies. Our water business licence requires us to maintain an investment grade credit rating and, from 2025, a minimum rating one notch higher on a least stable ratings outlook.	Activities we have undertaken include: • Continued monitoring of compliance with our financial covenants and credit rating; • Regular reviews of our funding requirements; • Renewal of our £30 million revolving credit facility for our water business; • Securing additional debt through private placement loans - currently £60 million drawn with Pricoa; and, • Maintaining regular engagement and relationships with the credit rating agencies, various banks and other institutional lenders to understand their interpretation of our position, that of the water sector and of the wider group. To mitigate our financial risk further, we have: • Fully fixed our power costs for budgeted distribution input for 2023/24; • Used hedging strategies; • Carried out regular market monitoring; • Overhauled the regular monthly management reporting to include relevant covenant metrics; • Put a structure in place at a Group level to ring-fence regulated liquidity from the non-regulated activities; and,

Risk title and status	What this risk means for us	How we manage this risk
	Failure to do this could result in cash lock-up, restricting our ability to pay dividends or default. Maintaining investment grade debt ratings is also important to other lenders to the group where we raise debt at SSW Finance Limited and South Staffordshire Plc. Here, we hold long-term loans and a five-year revolving credit facility, currently maturing in December 2025. We have seen a combination of additional cost pressures during the year, particularly in the energy and chemicals market. Inflationary pressures, which, alongside the operating cost increases, have added to our index-linked bond debt valuation. It has also added significant pressure to our financial covenants.	• Employed detailed financial modelling of financial viability scenarios to accurately forecast outturns with scope for sensitivities and risk mitigations. We have a long-term financing strategy in place that considers projected future investments plans and forecasts liquidity requirements beyond the current planning period. Access to markets is not expected to be a limiting factor in financing our businesses. Our water business is producing a robust, financeable business plan for the next planning period (2025 to 2030) and considering the levers needed to improve financial metrics (including further mitigation through strengthening of the regulatory ring-fence). Group non-regulated businesses: • Regularly run credit checks on customer / client bases; • Review the commercial terms of contracts and frameworks; • Agree staged applications and payments; and, • Complete all deliverables on contracts in timely manner to facilitate early cash collection. Group services: • Oversee treasury activity (through the Chief Financial Officer); and, • Are undertaking further development of Group treasury management policy, procedures and forecasting models.
Customer affordability#	Over the past year, the cost-of-living crisis has placed an additional pressure on our customers' ability to pay their water bills. Although non-payment of water bills will not lead to disconnection, as it does in the energy sector, it can result in the debt being passed on to a debt collection agency. This, in turn, will lead to increases in the costs other customers have to pay. There is an operating risk for us resulting from increased levels of customer bad debt and the costs associated with collecting this debt. This could result in a decline in performance.	We are progressing our plans in line with the consumer watchdog's (CCW) affordability review. We have also considered how we can improve our support schemes and make access to support much easier. We already have several support tariffs in place, which we actively promote to customers who might be struggling to pay their bills. In addition, we have a customer debt pay-off matching scheme and follow standard and advanced recovery processes in line with our policies. We also monitor activity and debt performance, enabling us to make quick and informed decisions.

Risk title and status	What this risk means for us	How we manage this risk
		We have integrated a new billing and collections system called Aptumo, which will deliver reliable and accurate bills that have been designed to suit customers. Aptumo gives us access to customised data that will enable us to take customer segmentation and personalised customer service to a new level. We also hold monthly Debt Steering Group meetings to monitor debt performance and agree strategy. These reviews are not currently identifying and significant increases in the budgeted debt position. The current macroeconomic environment is likely to continue having a negative impact on the economy in the year ahead. In addition, new research suggests that real wages compared with process are not expected to return to 2021/22 levels until the end of 2027. The probability of us needing to fund suitable support mechanisms for customers remains high and the ongoing monitoring of customer affordability is key to this. We are progressing the use of a debt best practice framework to deliver a series of changes that focus on: • debt prevention; • data use and sharing; • standard collection; and, • advanced collection activity.
Customer service[#] 	Customer expectations about the service we deliver is increasing, with more demand for multi-channel and 24/7 approaches. Also, the key regulatory measure of customer experience – C-Mex – can be impacted by single events, generating in-year penalties and reputational harm. For example, the criminal cyber-attack experienced by the water business's parent company had a significant impact on the service provided during quarter 2 of the 2022/23 financial year. In addition, the implementation of Aptumo has required planned pauses to customer service – all of which were communicated to customers to minimise any potential conflict.	Our water business carried out several retail-focused engagement activities during 2022/23, including those around the process for requesting a water meter; layout of our bills; and different customer journeys. The insight gained from this helped in the shaping of the customer experience strategy which will strengthen digital channels and improve customer journeys. Customer Experience Steering Group meetings are held monthly and an agreed set of KPIs is to measure performance. Customer improvement plans are also in place. Customer satisfaction is monitored daily. This enables changes to be made quickly in line with the requirement delivered through the respective working and steering groups.

Risk title and status	What this risk means for us	How we manage this risk
		The delivery of a retail change programme is planned together with a clearly defined digital change plan, which includes: • Making changes to the mobile app and MyAccount; • Reducing the number of repeat customer contacts; and, • Making improvements to customer journeys, particularly for home moves. The level of demand for support tariffs is expected to continue increasing and our water business is to explore how the support package offered will positively affect overall debt performance.
Failure or increased cost of capital projects/ exposure to contract failures*	Against a backdrop of our current, largest ever, investment programme in our water business, combined with inflationary pressures on materials, consumables, and sub-contracts experienced during the year, we could incur additional costs and delays which impact our ability to deliver capital works programmes successfully. This in turn, has potential consequences for the condition and performance of our assets and the service provided to customers. Although we have an established track record of delivering overall costs within our regulatory allowances, we have experienced a slow start to delivery during the current planning period. This has been impacted by the COVID-19 pandemic and resource challenges. These risks are being realised as we have seen commodity prices, such as steel, increasing way beyond previously seen trends. There are businesses within in the wider Group that are supporting other water companies in delivery of their capital programmes (such as our Mechanical & Electrical engineering business) and operational performance (for example, by providing leakage detection services). Should we not deliver against specified KPIs or legal obligations, which form an important part of the contracts held with these customers, then this could trigger contract performance fails with associated penalties or default mechanisms. For our wider commercial clients, similar risks to contract delivery and performance exist.	To mitigate this risk, our water business has created a specific Asset Management & Investment Delivery Director role focused on aligning our asset management and investment delivery functions. The aim being to provide clarity about our priorities and ensure enabling works are completed to allow delivery to start in line with our investment programme. We have also put additional resource and cost controls in place to escalate activity associated with the upgrade programme at out Hampton Loade and Seedy Mill water treatment works. We continue with advisors and the supply chain to mitigate delays and cost pressures associated with this activity. We hold monthly Steering Group meetings that oversee our investment activity. Across our engineering-based service businesses we follow established good practice with use of Project Management Office (PMO) functions to coordinate and monitor project delivery and cost variations. Our Echo software business similarly utilises procedures to identify, log and resolve any defects through an implementation project to ensure key milestones are achieved. Service delivery KPIs are carefully monitored, and any emerging shortfalls are addressed through recovery plans. Our water business is investing heavily to improve business performance, now and into the future. This includes making sure the right resource is available in our business and supply chain. We are also implementing several best practice initiatives across the water business; building these

Risk title and status	What this risk means for us	How we manage this risk
		into our programme and project management processes to ensure we deliver the appropriate quality in line with our budgets and deadlines.
Higher attrition and a difficult job market* 	Although attrition rates are now reducing, the demands of the job market remain challenging. We advertise opportunities in our Group businesses regularly and have been out to market more than once to recruit for some roles due to such reasons as a poor response rate or candidate quality. Flexibility requests, skills shortages and a real demand for higher pay continue to be contributory factors for us. If we are unable to attract, engage and retain the right people, with the right skills, then our businesses could face: • Skills shortages; • Loss of company knowledge; • Reduced operational capacity; • Over-reliance on key personnel; • Additional pressures on other employees; and, • Inadequate succession arrangements. This in turn may mean that one or more Group businesses is unable to meet current and future workforce needs and this could affect delivery of strategic priorities.	A range of measures have been applied in support of managing this risk. These include: • A hybrid working policy (produced by South Staffordshire PLC and adopted informally by the water business) to allow more flexibility between home and office working and, where applicable, more choice over office location; • Benchmarking of pay and advertising of all roles internally; • Addressing pockets of upwards pay pressure (e.g., for HGV drivers and project managers); • Introduction of small retention bonuses in certain circumstances; • Review of contract prices; • Succession planning recommenced for top-level roles; and, • Developing an approach for other senior and business-critical roles. We acknowledge there is more for us to do in terms of engagement and reward – as well as responding to employee survey outcomes – to improve engagement across all Group businesses. Plans will be developed to deliver this. We are increasing our own internal recruitment resource (capacity and capability) to support cost efficient and effective co-ordinated recruitment activity for our Group businesses.
PR24 delivery# 	In October this year we will submit our five-year business plan to the regulator Ofwat; this will set out in detail our goals for 2025-2030 and the funding we will need to deliver these. This process is critical to the sustainability of our services for our customers, our environment, and our business over the next five-year period and beyond. Ofwat will assess our plan, alongside those of the other water companies, and it will publish its final decision in December 2024, setting out revenue, allowed investment and required performance for the PR24 period. A failure to adequately plan, direct and resource our PR24 process would impact on our ability to produce and submit a robust, well-evidenced and	To be prepared and positioned for the price review process we: • Have experienced personnel leading the process who possess the requisite knowledge and skills required; • Started planning our submission early and applying learnings from the PR19 process; • Defined a clear governance structure; • Have a targeted area for PR24 within the 2023/24 data and information assurance plan; • Ensured regular communications with key business planning areas;

Risk title and status	What this risk means for us	How we manage this risk
	compelling business plan that is capable of standing up to Ofwat challenge and scrutiny and so could lead to a sub-optimal outcome for us which, in turn, impacts the level of funding and investment available to meet customer expectations, our obligations and required performance. Further, the confidence and trust that customers and other stakeholders have in us could be severely damaged and could take longer than five years to regain. We are acutely aware of the extensive work involved in completion of the five-yearly price review process; the complexity and scope of the process are a challenge for all water companies, but particularly for the smaller water only companies (like us) who have less resources available.	• Acquired a detailed knowledge of the Ofwat final methodology and the new requirement under PR24 for a long-term delivery strategy (LTDS); and, • Have engaged additional resource, along with support from external consultants, as required to ensure our plan meets Ofwat's expectations. We will continue to review risks and other issues associated with the delivery of our plan as we finalise our submission to Ofwat and will raise any significant areas of concern with senior stakeholders.
Stakeholder engagement* 	In identifying our stakeholders, we recognise certain groups may be affected by our decisions and activities whilst others are able to affect us through their actions and decisions. We seek to engage with the right stakeholders, in the right way, at the right time so that their interests, needs and priorities are given due regard and consideration as part of the Directors' balanced decision-making in support of strategy execution and long-term sustainable success, and that these are reflected in business plans and operations. As a Group, we have a range of stakeholder groups including: • Our people; • Customers and clients; • Suppliers and partners; • Communities; • Regulators and government; and, • Our investors. The effects of poor stakeholder management include: • Being unable to garner increased or sufficient stakeholder support; • A lack of stakeholder acceptance, disenfranchisement and a breakdown in trust and confidence; • Conflicting views / interests remaining unresolved; • Short and long-term reputational damage or harm which requires time and investment to repair; • Negative publicity;	In our water business, since 2019 we have had a dedicated resource within the business devoted to stakeholder liaison and engagement. We have carried out significant work since then to identify our key stakeholder groups and build relationships with them. We have also conducted stakeholder mapping and analysis, and have built meaningful relationships with key stakeholders, which includes (but is not limited to): • Engaging regularly with MPs and local councillors across our Cambridge and South Staffs regions on issues of importance to them and their constituents – e.g., affordability, support for vulnerable customers, water resources and water efficiency, and planned mains replacement work; • Attending sector-specific working groups and other networking events, and meeting regularly with local interest groups; • Sharing intelligence from stakeholder groups with colleagues across the business; • Proactively raising issues of concern with stakeholders; and, • Working closely with the Communications team to share positive messages about our work and the role we play in our communities. We will continue to build effective relationships and share messages about our work. We will also develop our mechanisms for recording and responding to the insight we receive from our different stakeholder groups. During the year, the company has sought to engage with, and understand, its stakeholders so that their interests and priorities are considered in

Risk title and status	What this risk means for us	How we manage this risk
	• Regulator interest and oversight increases leading to additional scrutiny and requirements put in e.g., in the form of additional reporting. • Failing to achieve goals / deliverables; • Incurring delays / setbacks / additional costs / reworked approaches; and, • Not learning lessons and looking to be smarter in what we do and how for the future.	decision-making. Stakeholder engagement within our Cambridge region has included discussions on how we are managing the combined pressure of population growth and new developments with the environmental impact our abstraction has on the aquifer that feeds the chalk streams in the region. In our South Staffs region, local MPs have been engaged with directly following the cyber-attack on parent company South Staffordshire PLC.

KEY:
* Affects all of the Group’s operations.
# Affects South Staffs Water’s operations only

Group Approach to Tax

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

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

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

In particular, the Group:

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

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

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

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

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

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

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

Going concern

The Group and Company updates as part of its annual budget process a detailed business plan which states its long-term strategic objectives and operational plans and the key business issues that the Group faces both now and those anticipated in the future and how the Group proposes to address these issues.

Due to the terms of Ofwat's license for South Staffordshire Water Plc the Group operates as two distinct sub-groups, one being the ring-fenced regulated operations of South Staffordshire Water and the other being the unregulated trading entities ("non-regulated Group"). The non-regulated Group includes the Parent company South Staffordshire plc.

The going concern analysis is therefore built up as two separate cash pools, one being the regulated South Staffordshire Water and the other being the non-regulated Group. Given the ring-fence, a going concern issue in one sub-Group does not impact the other.

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

As part of this business planning process, the Group has assessed its future prospects and, as part of this assessment, has prepared operational forecasts including expectations of its performance in important operational matters. The non-regulated Group has also prepared a consolidated twelve-month budget and a forecast for the following year to 31 March 2025, aligned to the current water sector regulatory period. These reflect the stated strategic objectives and operational plans and include but are not limited to trading forecasts with turnover, operating and capital maintenance costs along with cash flow projections including operating cash flows, the planned Investment programme and finance related cash flows. The level of net debt is also projected through the period and is compared to the level of gearing as permitted in the Group's borrowing covenants as is its interest cover. The going concern period is therefore to 31 March 2025.

In relation to maturing debt liabilities, in March 2023 South Staffordshire Water Plc successfully agreed a 3-year extension to its £30m Revolving Credit Facility and consequently, the Group has removed near-term refinancing risk as no debt facilities mature prior to January 2026.

South Staffordshire Water Plc

The Directors of South Staffordshire Water Plc concluded that at the date of signing that Company's Annual Report and Accounts on 23 July 2023 the most appropriate Going Concern Period for that Company was to reflect the price-review period to 31 March 25 and to take account of liability risks following the cyber-attack and breach of some customers' personal data.

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

On the 15 August 2022 South Staffordshire Plc announced that it had been the subject of a criminal cyber-attack. The nature of the attack did not include data encryption or destruction but did include data exfiltration. During the remainder of the financial year to 31 March 2023 the Group incurred costs engaging specialist cyber legal and technical advisors and those of notifying the related customers and staff. In the period since the year- end certain of the legal and consultant costs have continued to respond to the investigations by regulators. Advised by legal counsel, the Directors continue to review the risks and levels of regulatory fines or penalties and of potentially settling legal claims as the investigation completes.

At the date of signing the South Staffordshire Water Plc Annual Report and Accounts, a key assumption in the forecast of a severe, but plausible downside scenario, was the quantum and timing of legal and regulatory costs arising from the cyber-attack, should such liabilities be proven. The Directors of South Staffordshire Water Plc concluded that the potential costs could not, at that date, be reliably estimated. However, certain scenarios were considered as part of the going concern analysis.

Such costs could be significant to South Staffordshire Water Plc, and in certain extreme circumstances, be greater than assumed in the downside scenarios. This would have required additional funds to be raised and accordingly the Directors concluded that if these costs became greater than that assumed in the downside scenarios, they would take steps to ensure that these costs do not become payable in the going concern period. The Directors stated they would then seek to raise additional funds in the required timeframe.

Since that statement on 23 July 2023, in August 2023, an agreement was reached for an additional £40m of new long-term fixed rate funding from Pricoa Private Capital. The first tranche of £20m has was received on 20 December 2023.

Therefore, the judgement regarding the available funding of South Staffordshire Water Plc required in order to meet the extreme downside scenario is now less significant. The Directors have reviewed and updated the assumptions around the quantum and timing of legal and regulatory costs arising from the cyber-attack and again conclude that they cannot be reasonably estimated.

Non-regulated Group

The Directors of South Staffordshire Plc have concluded that, for the non-regulated Group, the Going Concern period of 12-months remains appropriate given the nature of the engineering services businesses which do not have the certainty of regulated monopoly allowed revenues. However, due to the delay in preparing and signing the financial statements for the year-ended 31 March 23 the Directors conclude that, on this occasion, it is appropriate to align with the South Staffordshire Water Plc Going Concern period to 31 March 25.

To assess the financial resilience of the non-regulated Group to possible changing circumstances, sensitivity analysis has been applied to these financial forecasts to assess the Impact on profitability, cash flows, liquidity, borrowing capacity and compliance with borrowing covenants of severe but plausible adverse changes to important assumptions made within these base projections, including those that are outside of the control of the Group. They include an increase in operating costs (including those arising from principal risk events occurring· see Principal Risks (page 40) and the level of inflation and interest rates. These scenarios include the possibility that South Staffordshire Water Plc may not pay dividends in the near future through its immediate parent company to South Staffordshire Plc as the quantum and timing of legal and regulatory costs arising from the cyber-attack are not yet known. The Directors have selected these assumptions as they believe it is these that could most significantly impact on the going concern of the non-regulated Group and that could most materially deviate from the non-regulated Group's base assumptions over the longer term.

In addition to the downside scenarios assessed by South Staffordshire Water Plc relating to legal costs and claims, South Staffordshire Plc has also included the potential for ongoing costs and the potential need to settle claims from current or previous employees, who have been notified of potential data breaches, where such liabilities can be proven.

The Directors consider, that when taken together these severe but plausible downside risks represent a meaningful assessment of the robustness of the non-regulated Group.

These scenarios result in periods where the forecast net cash position for the non-regulated Group is lower than that which the non-regulated Group normally considers to be necessary to allow for the usual monthly working capital movements. In response to this the non-regulated Group would seek to raise additional funding from external sources. The absence of firm plans to raise additional funding to mitigate this risk represents a material uncertainty for the non-regulated Group. As the Parent company controls the non-regulated Group this represents a material uncertainty for the Parent and Group as a whole which may cast significant doubt on the Group and Company's ability to continue as a going concern.

Conclusion

Notwithstanding this uncertainty the Directors are confident that should the severe but plausible downside scenarios occur, the Directors would seek to raise additional funds in the required timeframe. The Directors are confident of their ability to raise sufficient additional funds in the timeframe required given the strength of relationships with existing lenders, the Company's current credit rating and the track record of raising additional debt in recent years. Therefore, the Directors are satisfied that it is appropriate for the financial statements to be prepared on a going concern basis. The financial statements do not contain the adjustments that would result if the Group and Company was unable to continue as a going concern.

The strategic report is approved on behalf of the Board of Directors.

R O'Malley
Group Chief Finance Officer
29 January 2024

Section 172 (1) Statement

Group statement

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

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

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

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

Key stakeholder group	How we have engaged with these stakeholders

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

Customer insights are shared through a combination of internal communications, Board reports, interactive de-briefs (with the senior managers responsible for delivering plans) and presentations to the Executive Team and Board steering groups.

South Staffs have also hosted six forums for developers, self-lay providers and NAVs during the year covering a range of topics, including:

- developer charges;
- D-MeX activities;
- self-lay adoption codes;
- water efficiency initiatives;
- market growth; and
- regulatory changes for the five years from 2025 to 2030; and
- have gained useful feedback and insight from these forums, which will be taken forward to improve the services provided to developer services customers.

In the non-household retail market space, South Staffs Water has used its universal communications strategy to engage and support retailers. In addition, regular meetings have been held with MOSL and CCW. Quarterly review meetings have been held with retailers, covering performance metrics, engagement plans and R-MeX performance.

Within this engagement, South Staffs Water has offered a service called 'wholesaler on wheels', whereby members of its Retail team visited retailers (or retailers were invited to visit South Staffs Water) for high-level meetings where participants have learned more about each other. We also offered 'A day in the life of…' sessions to all retail stakeholders as a way of sharing knowledge and information, and to showcase the work we do in the field.

The engagement of the Independent Customer Panel has been sought regularly to share information and seek their input on the quality of South Staffs Water's customer engagement and customer-facing corporate documents.

Echo

- Active relationship management, regular communication and understanding how Echo can best support its water sector clients forms part of Echo's approach to service delivery and engagement. This is reflected by Echo's excellent reputation and proven record as a services partner.
- Following last year's implementation of a vulnerable customer framework to manage how the customers of water companies are engaged with across the business. This has been expanded to cover transient vulnerabilities, with focus on short term financial support which will be of increasing importance as multiple households face serious cost of living increases and financial challenges.
- Engaging with clients to develop the services Echo deliver and the roadmap for its product so that Echo can continue to improve its

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

- and Green Party councillors across the region.

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

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

Echo

- In India, Echo Managed Services continued its longstanding support of, and involvement with, the Mala Simriti orphanage.
- The Echo teams across all locations are always keen to take part in events to raise awareness or support charities and good causes. During 22-23 Echo championed Autism Acceptance Week, Mental Health Awareness Week, International Women's Day, International Men's Day, and Time to Talk Day. We also took part in the Race for Life, Pride, Children in Need, the MacMillan Bake Sale, and the annual Christmas Jumper Day. Away from externally recognised events, the teams often set up their own local events or activities to support projects closer to home.

SSI Services

- Businesses across SSI Services are encouraged to support:
  - local charities, groups and initiatives making a positive impact on their local communities; and
  - client / customer schemes that add value in local communities and the community groups, organisations and initiatives therein.

- Throughout the year, employees have been involved in multiple fundraising and other activities to support good causes and their aims. These include:
  - sponsored bike rides and walks;
  - a charity golf day;
  - annual events such as a Christmas jumper day (Save the Children) and the Thames water raft race (Water Aid); and,
- Businesses within SSI Services look to give back to their communities when they can and, where possible, combine this with supporting improvements to the environment. For example:
  - undertaking acts of kindness for local communities in areas where businesses are working – one example in the year being scraping mud and silt off a bridleway, so improving the environment and the safety of the bridleway for its users.

- Being able to engage directly with potential future employees and increase awareness of the career and development opportunities offered at all levels by SSI Services is important. Attendance at job fairs in Scotland and across England has enabled face-to-face interaction, raising the profile of SSI Services as an employer within local areas and communities.

Employees	The Group continued to engage with its employees throughout the year, using a range of tools in support of this and the sharing of information. Regular updates take place for employees across the Group using numerous channels, including workshops, Executive roadshows, updates, monthly Conduit e-newsletter, team meetings, Workplace and MiHub. Our people are key and should feel valued, engaged and motivated if they are to deliver and contribute to the success of Group businesses. **South Staffs Water** • South Staffs Water have used a wide range of tools and approaches to engage with its people during the year, including: • regular senior leadership forums; • twice-yearly Executive team updates across key sites in both Cambridge and South Staffs regions; • regular directorate and team meetings and away days; • News Splash, a monthly e-newsletter, featuring content from across the business; • a regular blog from Andy Willicott, our Managing Director; • WhatsApp groups for field-based teams; • Talent Pipeline, which showcases new employees and people who have moved within the business; • Yammer, to share information about activities, teams and groups across the business; • 'Wellbeing Wednesdays', with tips and advice to support the mental health of all our people; and • 'lunch and learn' sessions as part of the PR24 price review process. South Staffs Water also relaunched its People Forum during the year, which provides support and representation for all our people. As well as participating in pay negotiations with unions and the Executive team, the People Forum also reviews company-wide people-related policies and organises social events throughout the year. We shared the results of the Group-wide employee engagement survey with Board members and worked through the challenges to improve completion rates and scores. The Board meets regularly with the Executive team and some of our Independent Non-executive Directors attended Executive roadshows that were held during the year. They also joined colleagues from our Environment team on walk overs at some of the chalk streams in our Cambridge region to understand more about the work we are doing to protect these rare habitats. **Echo** Recognising, celebrating, and sharing the achievements and successes of our people, with our people. From employee feedback we acknowledge that recognition is important and through our "Pinned for Success" scheme, peers are encouraged to recognise each other, celebrating their achievements. • We understand that times are challenging, and we showcased the benefits available to our team to support them

	during the rise in the cost of living, this included lunch and learn sessions and recorded sessions on how to use our benefits platform. • Actively listening to our employees is hugely important. In all our locations we have a very active Employee Voice Forum who meet with senior managers regularly sharing feedback and suggestions for improvement. We encourage participation in our annual engagement survey, creating action plans based on focus group feedback to continue to make Echo a great place to work. We also hold SMTea breaks to provide our teams with direct access to the Leadership Team in Echo. • Every year we follow a wellbeing calendar of events which includes physical, mental and charity days. We encourage all our locations to actively participate, bringing everyone together. • There are lots of opportunities to grow, with many new and exciting projects creating new roles, encouraging learning new skills. In Northern Ireland we are particularly proud on the number of internal promotions there have been. Our people are clear on the opportunities available to them and are supported with our career pathways, highlighting where their next step may be. • We support our teams through development programmes, including running a leadership development programme (ACE) to all our existing front-line leaders to advance their capabilities around our Leadership Behaviours Framework. • Our people focus is evidenced by our reaccreditation of Silver Award from Investors in People.

Key stakeholder group	How we have engaged with these stakeholders

Employees (continued)	**SSI Services**
	• People are key to the success of SSI Services. It is important that they feel valued, engaged, and motivated. Examples of the way that this has been supported during the year include:
	  • introducing a "Safety First" approach to support employee empowerment and embed the right safety culture;
	  • publishing various articles to promote female engineers, introduce some of the females working in engineering within SSI Services and support International Women's Day;
	  • providing specialist training and refreshers, e.g., safe working at height;
	  • celebrating our people who have been a valuable part of businesses for many years e.g., long service awards and recognition;
	  • recognising employees who step-in to help others e.g., employees administering CPR to a member of the public until an ambulance arrived; and,
	  • continuing to deliver apprenticeship programmes.

Regulators/ government	The regulators and government stakeholder groups are key to the South Staffs Water business. Failure to comply with applicable legal and regulatory requirements could result in potential enforcement action, financial penalties and reputational damage. The remainder of the Group businesses are not party to direct relationships with these stakeholder groups although compliance with applicable legislation is of fundamental importance.
	
	• For South Staffs Water, engagement during the year was primarily through regulatory submissions, meetings and membership of relevant groups and organisations, including:
	    • Water UK's Regulatory and Strategy Committee, which is attended by Strategy and Regulation Directors and discusses future regulation policy;
	    • Ofwat's regulatory working groups (such as the cost assessment working group) to help shape future decisions;
	    • regional water resources planning groups (WRE and WRW); and
	    • other regulatory and environmental technical and advisory groups.
	During the year South Staffs Water continued with its business as usual engagement with local and national elected officials. Alongside this, South Staffs Water also carried out an intensive programme of engagement with MPs across its Cambridge and South Staffs regions following the cyber-attack on the Company in July. This included holding meetings with several MPs across both regions and preparing briefings ahead of an Adjournment Debate in the House of Commons.
	
	As part of the PR24 price review process, South Staffs Water set up a Stakeholder Challenge Panel. This is an independent and impartial panel of stakeholders and experts. As its name suggests, its role is to challenge the outcomes Suth Staffs Water will develop to reflect customers' and stakeholders' views and priorities as part of its business planning.

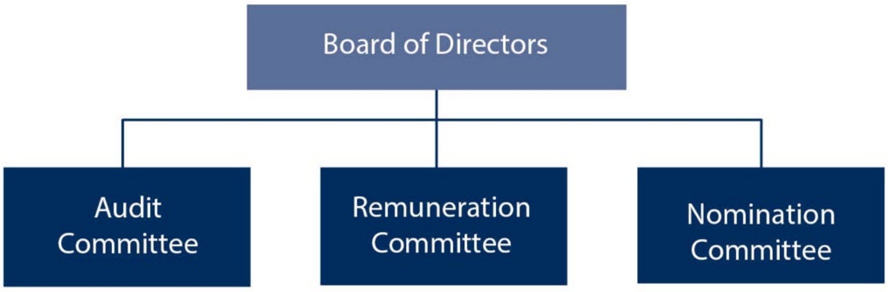
Shareholders	Our shareholders want to be assured that the Group businesses are run efficiently, and that Directors engage proactively with them on strategic decisions. Failure to engage with this stakeholder group would impact effective delivery of Group strategy.
	
	• Engagement with shareholders takes place through monthly management and board meetings. Regular dialogue also takes place with shareholders through a variety of other mechanisms such as briefings, calls and informal meetings. The Group Chief Executive and Group Chief Finance Officer also have regular dialogue with shareholders on key issues, which affect the business as and when those issues arise. Shareholders are engaged in discussions on the matters referred to below.
	    • financial performance;
	    • risk review; and
	    • long term viability and financial resilience.

Key stakeholder group	How we have engaged with these stakeholders
Suppliers / partners	Group businesses within each division, work with a range of suppliers and partners across different disciplines and sectors. Each division has its own relationships with suppliers and partners who support their individual businesses. • Engagement with our supply chain and other partners during the year has focused on the following areas: • The rolling contract with Echo Managed Services, an arm's length South Staffordshire Plc Group company which manages our customer contact centre. During the year, we identified the contract as a potential supply chain risk. So, our Procurement team has worked collaboratively with Echo, Group Legal Services, and other stakeholders from across the business to agree a new set of terms. These have been agreed in principle, along with the specification, pricing matrix and contract schedules. • Contract performance management, with reference to a supplier providing building maintenance services to the business. Following a review of the services provided and the supplier's failure to deliver to an agreed action plan, our Procurement team removed it from our approved supply chain list. • Support for the Energy team to approach the open market through Achilles, facilitating a Utilities Contracts Regulations (UCR) compliant sourcing event to award a contract to a supplier to install and manage the infrastructure for our electric vehicle fleet. The UCR event took 12 months to complete.
Suppliers / partners (continued)	**Echo** • Supplier engagement forms part of Echo's quality management system. • Supplier reviews have increased following the COVID19 Pandemic. • Building our partner network in the US as we expand our software offering to this new market. **SSI Services** • SSI engages with suppliers primarily through meetings and has in place a sustainable procurement policy.

This statement was approved at a meeting of Directors held on 26 January 2024 and duly signed on its behalf.

R O'Malley
Group Chief Finance Officer

Board of Directors



The Board comprises the Independent Chair, the Group Chief Executive, the Group Chief Finance Officer and two Non-executive Directors. Details of the terms of reference of all the committees, their membership and activities during the year are reported on pages 84 to 90.

Steve Johnson – Independent Non- Executive Chairman

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

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

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

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

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

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

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

Phil Newland – Group Chief Executive – Resigned 28 April 2023

Appointed Group Chief Executive of South Staffordshire Plc in April 2020. Previously Managing Director of South Staffordshire Water PLC from April 2014. From 2006, Phil worked within the South Staffordshire Plc Group as Managing Director of Echo Managed Services Ltd, supplying technology and retail services to the water sector. He was previously a management consultant with Automatic Data Processing (ADP) and Terence Chapman Associates. External appointments: Director, Pennon Water Services Ltd. Phil resigned from the Board on 28 April 2023

Rob O'Malley – Group Chief Finance Officer

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

The following were members of the Board during the reporting year, but resigned before 31 March 2023

Toby Buscombe Appointed as Non-Executive Director & Arjun Infrastructure Partners Representative on 25 November 2022. He resigned from the Board on 15 March 2023.

Yasushi Umemura and Naoto Kinoshita

Appointed as a Non-Executive Directors' & Mitsubishi Corporation Representatives on 1 April 2022, they resigned from the Board when Mitsubishi Corporation sold its shareholding in the Company on 08 August 2022.

Executive Team

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

Charley Mayer – Group Chief Executive

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

Rob O'Malley – Group Chief Finance Officer

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

Monica Mackintosh – Managing Director of Echo

Appointed Managing Director of Echo Managed Services in December 2018. Monica has been a member of Echo's Board for nine years and during this time has successfully headed up both the software and customer service areas of the business.

Andrew Willicott – Managing Director of South Staffs Water

Andy was appointed Managing Director in May 2020, having previously served as Transformation Director at Bristol Water. Andy's previous roles include Executive Director at Pennon Group and Chief Operating Officer at Sydney Water, with responsibility for all aspects of frontline water and wastewater treatment, network operations and customer delivery.

External appointments: Andy serves as a Board member for Water Resources East.

Simon Dray - SSI Services – Managing Director – Water, Waste & Infrastructure

Appointed Managing Director of several of the Water and Gas businesses in SSI Services in 2019, Simon joined the Group in 2007 as Managing Director for Hydrosave and has been part of the SSI Services team during a significant growth period. Simon has worked in the water industry for over 30 years, and previously worked for Anglian Water and Parkman Consulting Engineers.

Neil Shailer – SSI Services – Managing Director - Compliance Business

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

Anna Fell – Group HR Director

Appointed as SS Plc's first Group HR Director in June 2021 having previously been the Director of People & Development for Echo Managed Services since April 2014. Prior to joining the Group Anna held senior HR roles at Nestle and Unipart. Through her career Anna has worked within rail, manufacturing and logistics bringing a wealth of experience to the Group.

Directors' Report

The Directors are pleased to present their annual report, together with the audited Group financial statements, for the year ended 31 March 2023.

Directors

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

	Director type	Appointed	Date resigned	Meetings attended [1]
Steve Johnson	Independent Non-Executive Chairman	3 July 2018		10/10
Peter Antolik	Non-Executive Director & Arjun Investment Partners Representative	3 July 2018		10/10
Phil Newland	Group Chief Executive	29 April 2020		10/10
Rob O'Malley	Group Chief Finance Officer	29 April 2020		10/10
Yasushi Umemura	Non-Executive Director & Mitsubishi Corporation Representative	1 April 2022	8 August 2022	5/5
Naoto Kinoshita	Non-Executive Director & Mitsubishi Corporation Representative	1 April 2022	8 August 2022	5/5
Keith Harris	Non-Executive Director & Arjun Investment Partners Representative	30 October 2020		10/10
Toby Buscombe	Non-Executive Director & Arjun Investment Partners Representative	25 November 2022	15 March 2023	3/3

[1] In addition to the 10 scheduled Board meetings, Mr Johnson and Mr O'Malley attended 13 meetings and Mr Umemura and Mr Kinoshita attended 4 meetings of the Company's subsidiary South Staffordshire Water Plc called to deal with cyber incident related matters. Mr Newland, Mr Antolik and Mr Harris were participating as members of the Board of South Staffordshire Water Plc.

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

Retirement and re-election of directors

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

Business review

The strategic report provides detailed information relating to the Group, its strategy and the operations of its businesses, future developments and the Group's financial results and position for the year ended 31 March 2023.

From time to time the Company takes legal action to protect its interests and similarly it may need to engage legal advisors to defend the business against claims that it considers have no merit. The Company is currently rigorously defending one such action against it and has previously raised a provision for potential costs associated with this case. The Directors have reviewed the quantum of this provision in the current year and consider that it remains an appropriate estimate of probable legal defence costs to successfully defend the case.

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

Financial results

The Group's turnover was £353.5m (2022: £281.2m), with operating profit of £19.0m (2022: £27.9m restated) and loss before tax of £23.1m (2022: £7.6m profit). The Group's financial results and position are explained in more detail in the financial review section of the strategic report and shown in the consolidated profit and loss account, consolidated balance sheet and consolidated cash flow statement.

Environment, Social and Governance

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

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

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

Energy use and carbon emissions

The UK water sector has made a commitment to achieve net zero carbon emissions by 2030. This goal forms part of Water UK's Public Interest Commitment, which sets out five stretching social and environmental ambitions that each of the water companies is contributing towards.

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

Methodology

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

Scope 1 energy use and emissions

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

	2022/23		2021/22	
Fuel	**kWh**	**Tonnes CO_2**	**kWh**	**Tonnes CO_2**
Natural gas	97,586,394	17,917	105,539,614	19,377
Diesel BS EN 590	38,764506	9,182	36,999,605	8,764
Gasoil (Class A2)	3,717655	955	1,504,145	386
White diesel (generators)	1,279,515	327	No record	No record
Kerosene	316,730	78	298,028	74
Hydrogenated vegetable oil (HVO)	405,659	4	202,393	2
Unleaded 95	2,838,363	652	1,909,808	439
Total	**144,908,822**	**29,115**	**146,453,592**	**29,042**

Scope 2 energy use and emissions

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

The company consumed around 105,449,201 kWh of grid electricity, with associated emissions of 22,255 tonnes of CO2e using location-based factors.

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

Total emissions

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

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

The emissions by South Staffordshire Water Plc (SSW), created through the treatment and distribution of drinking water, are the largest proportion of the overall consolidated group's totals (representing over 73% of Scope 1 and 98% of Scope 2 emissions). In 21/22 and 22/23 SSW has procured 100% electricity from certified clean renewable energy sources. The Directors of the Company have therefore determined that the most representative measure for the consolidated group relating to the activity of the business is that of emissions per megalitre (Ml) of treated water supplied in the reporting period as used in the annual report of SSW.

	Location-based electricity factor			Market-based electricity factor		
	2022/23	2021/22	2020/21	2022/23	2021/22	2020/21
Emissions (tonnes CO_2e)	43,348	43,845	43,450	23,068	21,086	19,256
Emissions (kg CO_2e per of treated water)	255	265	263	132	128	117

Efficiency measures

During the reporting year, the group has continued to invest in the efficiency of its network through ongoing pump efficiency and leak reduction programmes, by improving production efficiency and by reducing our demand for energy, respectively. SSW also completed a major overall of its gas engine at Hampton Loade, resulting in a significant decrease in gas consumption. The conversion of the diesel generators at the Hampton Loade water treatment works to operate on Hydrogenated Vegetable Oil in the previous year has seen air quality benefits in the form of reduced emissions. The company is in the process of preparing a strategy to achieve net zero operational carbon emissions by 2050 and is assessing and estate-wide renewable energy strategy for on-site generation as a key component of this commitment.

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

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

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

Elsewhere across the Group, IWS Water Hygiene Division also has ISO 14001 (environmental management system) with its most recent recertification audit being 2020 and during 2022 it also now has the Achilles Carbon Reduce Certification assessed to ISO 140640-1. Onsite Central Ltd. also possesses this as well.

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

Acquisitions

On the 31st January 2023 South Staffordshire plc acquired 92.5% of the issued share capital of The Gateway Group of Companies Holdings Limited including its main trading subsidiary, Infrastructure Gateway Limited.

Corporate governance

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

Risk management

Details of the Group's policy in respect of financial and treasury risk are provided in note 28 to the financial statements.

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

Capital investment

Capital expenditure, on tangible and intangible assets, before contributions from third parties and excluding infrastructure renewals during the year amounted to £91.3m (2022: £57.8m).

Payment of suppliers and commercial arrangements

The Group's policy is to pay suppliers in line with the terms of payment agreed with each of them when contracting for their products or services. Group trade creditors at 31 March 2023 represent 79 days of purchases during the year (2022: 69 days). The Group is not reliant on any single commercial arrangement.

Political donations

During the year we made £nil (2022: £nil) donations to political parties during the year.

Indemnity insurance

The company indemnifies the directors to the extent permitted under the Company Law and buys a directors' and officers' liability insurance policy.

Dividends paid

During the year the Company did not declare or pay a dividend. On the 28 April 2023 the Company declared a final dividend for 2023 of £5.18m which was paid on 3 May 2023.

Going concern

The company's statement on going concern and the basis for the going concern assumption are set out in the Strategic Report on pages 56 to 57.

Independent auditor

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

The previous external auditor, Deloitte LLP, had been the Company's auditor since 2002, with a change in the audit Partner occurring every five years. Under FRC guidance the Company was required to appoint a new auditor given the tenure of Deloitte LLP and during the 20/21 year the Company conducted a review of Independent Auditor and selected Ernst & Young LLP to take effect for the Financial Year ending 31/3/23.

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

Approved by the Board and signed on its behalf by

Rob O'Malley
Group Chief Finance Officer
26 January 2024

Current Board of Directors and Advisors

Board of Directors	Steve Johnson - Chairman
	Peter Antolik
	Keith Harris
	Charley Maher (Group Chief Executive), Appointed 29 September 2023
	Rob O’Malley (Group Chief Finance Officer)
Secretary	Caroline Stretton
Registered Office	Green Lane, Walsall, West Midlands, WS2 7PD
	Telephone: 01922 638282
	Registered in England, Number 04295398
Auditor	Ernst & Young LLP, Statutory Auditor
	1 More London Place, London, SE1 2AF

Corporate Governance Report

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

Although the Company is not publicly listed, the Board of Directors seeks to apply the principles of the UK Corporate Governance Code ('the UK Code'), where considered applicable to a private unlisted group of companies. The Directors consider the annual report and financial statements to comply with the Walker Guidelines for Disclosure and Transparency in Private Equity.

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

Group Structure

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

The Board of Directors can confirm, on behalf of Arjun Infrastructure Partners Limited, that it, as the ultimate controlling party of the Group for the year ended 31 March 2023, also fully supports these principles of Board leadership, transparency, and governance.

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

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

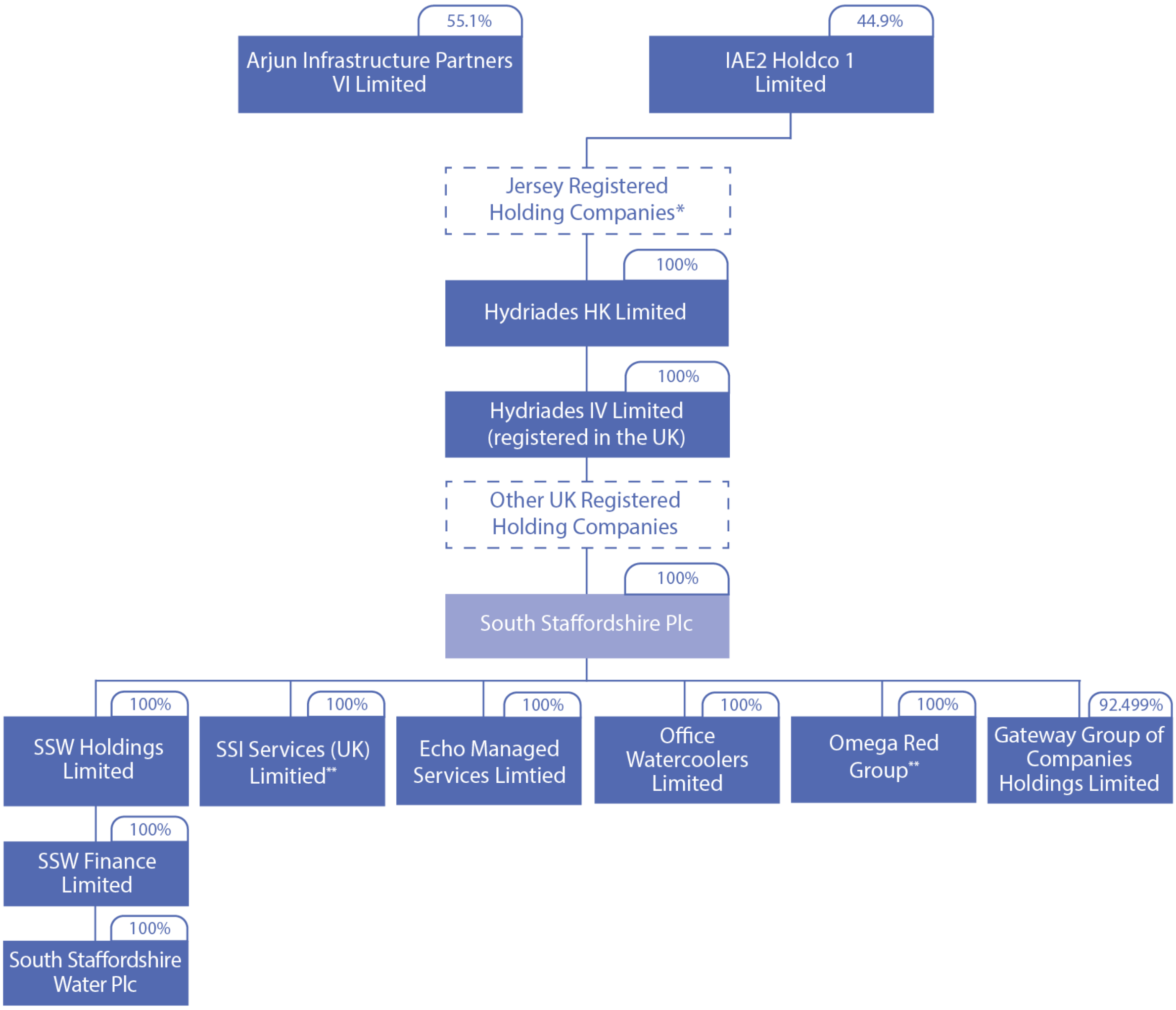
Details of how the Group preserves value over the long-term, business models and how these and the Group strategy are delivered are provided in the strategic report.

Details of the Group structure are set out below:

Our investors as at 31 March 2023

On 8 August 2022, investors advised by Arjun Infrastructure Partners Limited, acquired the 44.9% equity interest held by Mitsubishi Corporation and Mitsubishi HC Capital Inc. Funds advised by Arjun Infrastructure Partners Limited control 100% of the shares of the Hydriades IV Limited Group and of South Staffordshire Plc.

Simplified Group structure as at 31 March 2023



* Jersey registered holding companies are UK resident for tax purposes.
** Omega Red Group is managed within the SSI Services division.
% represents economic equity interest held.

Relations with investors and the immediate holding companies

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

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

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

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

The Board of Directors

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

Directors may be appointed by the Company by Ordinary Resolution or by the Board. As set out in the Company's Articles of Association (Articles), a director appointed by the Board will hold office until the next AGM. At each AGM, one third of the Directors will retire by rotation and will submit themselves for re- election at least once every three years. Toby Buscombe was appointed during the year but resigned on 15 March 2023. Phillip Newland and Robert O'Malley resigned and were re-elected at the AGM in September 2022.

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

Insurance and indemnities

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

Board membership

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

Peter Antolik is also a director of all of the UK, Jersey and Hong Kong holding companies above the Company in the Group structure as at 31 March 2023.

Yasushi Umemura and Naoto Kinoshita both resigned on 8 August 2022 on the sale of the Mitsubishi Corporation and Mitsubishi HC Capital Inc's shareholding to investors advised by Arjun Infrastructure Partners Limited.

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

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

Toby Buscombe was appointed to the Board on 25 November 2022 and resigned on 15 March 2023.

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

Caroline Stretton is the General Counsel & Company Secretary

Functions of the Board

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

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

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

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

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

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

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

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

The Board is satisfied that its membership contains an appropriate balance of different skills and experience, as well as that each Director continues to contribute effectively, allocating appropriate time and commitment to their role. On a regular basis, the

Board considers its own performance, the performance of the individual Directors and its Committees. The Board and its Committees consider potential conflicts at the start of every meeting.

Matters reserved for the Board

A schedule of matters specifically reserved for the Board's decision has been adopted based on Institute of Chartered Secretaries and Administrators best practice. The matters include, but are not limited to:

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

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

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

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

Board meetings

The Board holds regular scheduled meetings throughout the year. During the year ended 31 March 2023, there were ten scheduled Board meetings. As a result of the cyber-attack identified in July 2022 a total of 13 additional board meetings were convened by South Staffordshire Water Plc to which Mr Johnson and Mr O'Malley were invited as attendees and Mr Umemura and Mr Kinoshita attended 4 of those meetings to ensure the Board members were kept fully informed of developments.

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

Organisational structure

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

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

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

This document is subject to annual review and the delegated authorities set-out in the ICM were last reviewed by the Board in [February 2023].

Risk Management

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

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

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

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

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

Regulatory reporting

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

- the governance in place;
- the review of information by an independent technical auditor (Jacobs);
- the audit work; and
- certain agreed-upon procedures in respect of the extraction of specific information performed by the external independent auditor (Deloitte LLP (Ernst & Young with effect from 13 January 2023)).

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

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

Board Committees

Audit and Risk Committee

Membership for the year ended 31 March 2023

Chairman	Keith Harris (Meetings attended 1/1)
Other members	Peter Antolik (Meetings attended 1/1) Steve Johnson (Meetings attended 1/1)
Meetings are also regularly attended by:	Deloitte LLP and now Ernst & Young LLP (the Group's external independent auditors), the Group Chief Executive, the Group Chief Financial Officer, The Group Internal Audit Manager and representatives from Arjun Infrastructure Partners Limited. During the year the increased number of additional full Board meetings to consider the cyber-incident replaced the usual practice of holding three audit and risk committee meetings.

Role and responsibilities

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

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

The Committee is also responsible for:

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

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

Key terms of reference

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

Audit & Risk Committee activities

In the year ended 31 March 2023, the Audit & Risk Committee's normal cycle of meetings was replaced by a significant focus on the cyber-attack that was identified in July 22. A series of additional Board meetings of South Staffordshire Water Plc were convened throughout the July 22 to January 23 period and the members of the Audit & Risk Committee participated in these meetings.

The Committee held one normal meeting to review the 2022 Audit report and consider the arrangements for the transition of the Group's auditors from Deloitte LLP to Ernst & Young LLP. The meeting also considered the internal audit plan for the year.

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

The Committee reviews and challenges papers and feedback from senior management, external auditors' reports, reports from Group Internal Audit and the Company's risk register. It also discusses areas of judgement and estimation, making comments and recommendations, where appropriate, and seeks further management clarification, where required.

The responsibilities of the external auditor in relation to financial reporting for 2022/23 are set out in its report that follows.

Financial reporting and planning

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

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

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

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

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

Internal control

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

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

Internal Audit

The Internal Audit function operated at Group level is dedicated to ensuring internal control activities remain a priority within the Group. It also provides valuable support to businesses in maintaining good systems of internal control, providing financial and operational risk assurance, testing legal and regulatory compliance and financial controls, it also helps ensure appropriate corporate governance.

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

During the reporting year, Group Internal Audit was involved in:

- Group business risk register including risk mitigation;
- Review of the processes relating to the identification of void properties and use of the Assure Tariff by South Staffs Water
- review of internal controls;
- regulatory assurance for South Staffs Water in line with its assurance framework;
- South Staffs Water tariffs; and
- an independent review of the South Staffs Water long term business plan stress testing modelling analysis.

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

External independent auditor

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

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

The responsibilities of the external independent auditor in financial reporting are set out in its report relating to each year's financial statements.
During the year the Company appointed Ernst & Young LLP as Independent Auditor to take effect for the Financial Year ending 31/3/23.

Nomination Committee

Membership for the year ended 31 March 2023		
Director	Role	Board Meetings Attended
Mr Steve Johnson (appointed 03/07/2018)	Chair	1/1
Mr Peter Antolik (appointed 03/07/2018)	Member	1/1
Mr Keita Saito (appointed 01/04/2020)	Member	1/1

Meetings

Meetings are convened when required. During the year, one meeting was held to oversee appointments to the senior leadership team.

Roles and responsibilities

In considering appointments to the Board and the Executive team the Nomination Committee considers the composition of the Board and Executive team. This includes reviewing the balance of skills, knowledge, experience, diversity (including gender) and competencies.

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

Key terms of reference

Key terms of reference include:

- preparing an appropriate specification for any open Executive Director Board positions or for the Executive team;
- ensuring successful candidates have the necessary skills, experience, information and knowledge to fulfil their duties;
- consideration of succession planning for Executive Directors and the Executive team.

Diversity

Information about the Group's gender diversity is set out on page 29 of the strategic report.

Remuneration Committee

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

Meetings

Meetings are convened as required and at least once a year. During the year three meetings were held to discuss bonus awards for the previous financial year.

Roles and responsibilities

The Remuneration Committee is responsible for the remuneration policy and for setting the remuneration packages of the Board and the Executive team.

Key terms of reference

Key terms of reference include:

- agreeing remuneration that will ensure that the Group Chief Executive and the Executive team are provided with appropriate incentives to achieve high standards of performance and successful delivery of the Group's strategy and reward them for their individual contributions to the success of the Group;
- determining such remuneration packages and arrangements with regard to any relevant legal requirements and associated guidance and to obtain reliable, up-to-date information about remuneration in other companies;
- approving the design of, and determining targets for, any performance related remuneration packages for the Group Chief Executive and the Executive team;
- ensuring that contractual terms on termination are fair and that failure is not rewarded;
- overseeing any material changes in employee benefit structures throughout the Group; and
- ensure that remuneration packages are designed to attract, retain and motivate high-calibre senior executives.

Remuneration report

Remuneration policy

Remuneration packages and fees are designed to attract, retain, and motivate high-calibre Directors and Executive team members. The Remuneration Committee has overall responsibility for determining Board Directors' remuneration packages and considering those of the Executive team.

The total remuneration packages of Board Directors and the Executive team include basic salary, benefits (including car, fuel and private medical insurance) and annual bonuses, which are linked to individual business and Group targets, as well as personal performance-related objectives. The performance-related objectives are designed to encourage and reward continuing improvement in the Group's operational performance and financial performance and value over the longer term. The approved Long-Term Incentive Plan arrangements allow for deferral of payment of a proportion of an awarded annual bonus subject to continued employment in July 2025. Annual salary and some benefits are normally pensionable, whereas the annual and LTIP deferred bonuses are not.

No director or member of the Executive team is involved in determining his or her own remuneration.

Board and Executive terms of engagement

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

The Executive team are employed on service contacts of no fixed term, with notice periods of either six or three months. They are entitled to:

- basic pay;
- private medical insurance;
- a company car or car allowance;
- fuel allowance; and
- payments made to a Group money purchase pension scheme or a cash allowance in-lieu.

As noted, the Remuneration Committee recognises the need to attract and retain high-performing individuals. The Committee believes it is important that, for Executive Directors and senior management, a proportion of the remuneration package should be performance related. Therefore, there is participation in business specific bonus schemes with bonus awards linked to personal objectives, as well as being aligned to certain standards of performance in their business area.

Salaries are reviewed annually, and any changes are effective from 1 July each year. In normal circumstances, Executive salary increases will not be materially different to general employee pay increases.

Each year, the Remuneration Committee reviews the standards of performance to which bonuses are linked to ensure this consistency continues to be maintained. At the end of the financial year, the Committee, following consideration of the outturn against target, assesses to what extent the targets are met and determines bonus levels accordingly. In doing so, the Committee takes into account overall company performance and in exceptional circumstances may exercise its discretion and adjust the bonus to reflect any specific factors.

Further details in respect of the Group Chief Executive, the Group Chief Financial Officer and Executive team's remuneration set out below and in note 5 to the report and accounts.

The remuneration of the Chairman and one of the Non-Executive Directors is determined by the Board. As the other Non-Executive Directors for the year ended 31 March 2023 are representatives of the Company's shareholders, they do not receive any remuneration from the Company and their appointments have no fixed term.

Long-Term Incentive Plan (LITP)

The LTIP was introduced in 2020 and the scheme is in its second year. This incentive plan aligns the long-term interests of the shareholders and the executive team, retains and rewards executive management of certain calibres as well as rewards for the performance over the 2020/25 (AMP7) regulatory period, for certain managers.

Performance is assessed annually. Each cycle within the bonus plan effectively covers four performance years with four annual payments being awarded, of which half is a paid as a short-term incentive plan bonus, in year, and half is deferred to LTIP.

The awards under the LTIP are accrued and at the end of the fifth year 80% of the accrued amount, at target level, could be paid provided that the employee is still employed or has left as a 'Good Leaver'. Multiplier arrangements will apply at the end of the bonus plan cycle. The aggregate bonus bank will be varied based on the extent to which the South Staffordshire Plc group has hit its cumulative distributions and profit after tax. Adjustments will be subject to the terms (plus or minus and no lower than nil). Malus and clawback provisions also apply. All awards are subject to income tax.

	Executive Directors		Chairman & Non-Executive Directors		Executive Team*		Total	
	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000
Basic Salary	480	439	108	108	737	578	1,325	1,125
Benefits	18	28	—	—	8	37	26	65
Bonus	274	274	—	—	318	310	592	584
Total Emoluments	**772**	**741**	**108**	**108**	**1,063**	**925**	**1,943**	**1,774**
Pension Contributions	38	37	—	—	85	59	93	97
Total Remuneration	**810**	**778**	**108**	**108**	**1,148**	**984**	**2,036**	**1,871**

* Excluding the Executive Directors. The Executive team are remunerated by other companies within the Group.

Directors' Responsibilities Statement

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH STAFFORDSHIRE PLC

Opinion

We have audited the financial statements of South Staffordshire Plc ('the parent company') and its subsidiaries (the 'group') for the year ended 31 March 2023 which comprise the group Profit and Loss Account, the group and parent company Balance Sheet, the group Statement of Comprehensive Income, the group and parent company Statement of Changes in Equity and the group Cash Flow Statement and the related notes 1 to 33, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice) ("FRS 102").

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent company's affairs as at 31 March 2023 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Material uncertainty related to going concern

We draw attention to the going concern section of the strategic report in the financial statements, which indicates a material uncertainty exists in a severe but plausible scenario where the forecast net cash position for the non-regulated group is lower than the level which the non-reg group requires to ensure it can meet monthly working capital requirements. In this scenario the non-regulated group would seek to raise additional funding from external sources. The absence of firm plans to raise additional funding to mitigate this risk represents a material uncertainty for the non-regulated Group. As the Parent company controls the non-regulated group this represents a material uncertainty for the Parent and group as a whole. As stated in the going concern section of the strategic report these events or conditions, along with the other matters as set forth in the going concern section of the strategic report indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

- We confirmed our understanding of the Board's going concern assessment process and challenged management to ensure key factors were considered in their assessment. Management have performed their going concern assessment to 31 March 2025, being the end of the AMP 7 cycle.

- We obtained the Board's going concern assessment, including cash flow forecasts for the two separate cash pools, liquidity requirements and forecast covenant calculations and tested these for arithmetical accuracy. The Board prepared a "base case", a "downside case" and a "reverse stress test" cash flow forecast models and forecast covenant calculations and these are the models to which the procedures descried below relate to.

- We engaged our specialists to assess the ability of the group to raise additional finance and to assess the status of the ongoing discussions with existing lenders.

- We challenged whether it was appropriate to consider the going concern position of the group as the combination of two separate cash pools, one for the non-regulated group and one for the regulated group.

- We challenged the potential legal and regulatory costs associated with the cyber-attack, including the quantum and timing thereof, and the associated legal processes available to management with management's external specialists. We performed sensitivity analysis on the downside scenarios assuming a severe but plausible level of payment of regulatory penalties and civil claims related to the cyber-attack and no additional financing during the going concern period. This assessment included consideration of mitigating factors within the control of the Regulated group which include the ability to reduce dividend payments, defer expenditure and follow a legal process that would take a significant amount of time and extend payment of civil claims well beyond the going concern period.

- We considered the appropriateness of methods used to calculate the cash flow forecast models and forecast covenant calculations and determined, through inspection of the methodology and testing of the calculations, whether the methods used were appropriate to make an assessment for the group and the company. Where applicable, we corroborated data used in the scenarios to appropriate third party support such as industry reports and sector benchmarks. We tested inputs into the covenant forecast calculations back to the base case and downside scenarios to identify whether there were any forecast covenant breaches in the going concern review period.

- The Regulated group has an agreed business plan with Ofwat for the five-year price period from 1 April 2020 to 31 March 2025, setting out the basis of allowed tariff changes. We have compared the key assumptions in the Regulated group forecasts to the agreed business plan for consistency.

- We have challenged key assumptions in the Board's scenarios including revenue growth, operating cost inflation including chemical and energy costs, capex and Infrastructure Renewals Expenditure (IRE) programme spend and future cash outflows related to claims associated with the cyber-attack by comparing to the work performed as part of our audit, such as historical data, Board approved plans (for the non-regulated and regulated groups) and submissions to Ofwat (for the regulated group).

- We have validated the maturity dates and covenant requirements of the company's facilities assumed in the models to facility agreements and validated the evidence for the additional facilities agreed and/or withdrawn post year end.

- We read the group's going concern disclosures included in the Annual Report in order to evaluate whether the disclosures were appropriate and in conformity with the applicable reporting standards.

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 92, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those that relate to the reporting framework (FRS 102, Companies Act 2006, the UK Corporate Governance Code), regulatory landscape (Ofwat, Drinking Water Inspectorate, the Environmental Agency) and relevant UK tax compliance regulations.

  In addition, we concluded that there are certain laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to GDPR, health and safety, employee, environmental and bribery and corruption practices.

- We understood how South Staffordshire Plc is complying with those frameworks by making enquiries of Board members and management, those responsible for legal and compliance procedures, the company Secretary and internal audit. We corroborated our enquiries through our review of Board minutes, papers provided to the Audit Committee and attendance at meetings of the Audit Committee and correspondence received from regulatory bodies and noted that there was no contradictory evidence.

- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by making enquiries of senior management including the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit and Audit Committee Chair. We also considered management remuneration and covenant compliance requirements which may create an incentive for management to manipulate results.

- We assessed the scope and results of the investigation carried out by management in response to the cyber-attack to ensure accounting conclusions and disclosures are appropriate and are consistent with the results of the investigation. We engaged our own internal IT, legal, forensics and GDPR specialists in these assessments.

- We considered the possibility of fraud through management override, and, in response, we incorporated data analytics across manual journal entries into our audit approach. Where unusual results or anomalies were identified through our data analytics, we performed additional audit procedures to address each identified risk. These procedures included testing transactions back to source information and were designed to provide reasonable assurance that the financial statements were free from material fraud or error.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of key management and legal counsel, inspecting legal correspondence and correspondence with regulators, reading key management meeting minutes and reviewing the volume and nature of complaints by the whistleblowing hotline during the year. For certain matters, we involved internal forensic specialists to support our audit procedures in relation to assessing the potential significance of non-compliance with laws and regulations.

- We attended key meetings with management and legal counsel in order to identify and communicate any instances of non-compliance with laws and regulations.

- The group operates in the water sector which is highly regulated. As such the Senior Statutory Auditor reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of an expert where appropriate.

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

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

Use of our report

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

DocuSigned by:

P Wallek.

F797FE0E4E164DA...

Paul Wallek (Senior statutory auditor)

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

London

29 January 2024

Financial Statements

Consolidated Profit and Loss account – for the 12 months ended 31 March 2023

	Note	**2023**	2022 Restated
		£'000	£'000
Turnover	2	**353,552**	281,200
Operating costs	3	**(341,704)**	(255,108)
Other operating income	6	**11,980**	7,425
Group operating profit		**23,828**	33,517
Exceptional items		**(5,565)**	-
Group operating profit (after exceptional items)		**18,263**	33,517
Income from associated undertakings		**723**	516
Goodwill impairment		**-**	(6,124)
Total operating profit		**18,986**	27,909
Finance charges (net)	7	**(42,091)**	(20,264)
(Loss)/Profit before taxation		**(23,106)**	7,645
Taxation on profit	8	**6,731**	(19,016)
(Loss) for the financial year		**(16,375)**	(11,371)
Attributable to:			
Equity holders of the parent		**(16,427)**	(11,432)
Non-controlling interest		**52**	61
(Loss) for the financial year		**(16,375)**	(11,371)

The results above are derived from continuing operations. The accompanying notes are an integral to these financial statements.

Consolidated Balance Sheet – as at 31 March 2023

	Note	**2023** **£'000**	2022 Restated £'000
Fixed assets			
Intangible assets	10	**84,422**	48,832
Tangible assets	11	**663,225**	603,219
Investment in joint ventures	12	**1,144**	421
Other investments	13	**73,145**	73,145
		821,936	725,617
Current assets			
Stocks	16	**9,532**	5,229
Debtors - amounts recoverable within one year	17	**126,947**	67,229
Debtors - amounts recoverable in more than one year	17	**4,049**	2,654
Retirement benefit surplus	21	**1,874**	54,538
Cash at bank and in hand		**80,328**	101,682
		222,731	231,332
Creditors - amounts falling due within one year			
Borrowings	18	**(28,316)**	(31,461)
Other creditors	19	**(153,892)**	(111,394)
		(182,208)	(142,855)
Net current assets		**40,523**	88,477
Total assets less current liabilities		**862,459**	814,094
Creditors - amounts falling due in more than one year			
Borrowings	18	**(601,106)**	(523,021)
Other creditors	19	**(17,553)**	(16,499)
Accruals and deferred income	15	**(180,154)**	(168,704)
		(798,813)	(708,224)
Provisions	20	**(61,130)**	(80,076)
		(61,130)	(80,076)
Net assets		**2,516**	25,794

Consolidated Balance Sheet – as at 31 March 2023 (continued)

	Note	**2023** £'000	2022 Restated £'000
Capital and reserves			
Share capital	23	**6,449**	5,449
Share premium account	24	**42,319**	10,882
Revaluation reserve	24	**15,643**	15,863
Capital redemption reserve	24	**1**	1
Merger reserve	24	**(253)**	(253)
Currency translation reserve	24	**(111)**	(26)
Hedging reserve	24	**(1,757)**	(3,133)
Profit and loss account		**(59,452)**	(3,256)
Shareholders' funds		**2,839**	25,527
Non-controlling interest		**(323)**	267
Total capital employed		**2,516**	25,794

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

The financial statements of South Staffordshire PLC, registered number 04295398, were approved by the Board of Directors and authorised for issue on 26 January 2024.

R O'Malley, Director

Consolidated Statement of Comprehensive Income – for the year ended 31 March 2023

	2023	2022 Restated
	£'000	£'000
Loss for the financial year	**(16,375)**	(11,371)
Movement on hedging reserve	**1,835**	2,344
Deferred tax on movement on hedging reserve	**(459)**	(554)
Actuarial (loss) / gain relating to retirement benefit surplus	**(53,450)**	7,969
Deferred tax on actuarial gain relating to retirement benefit surplus	**13,355**	(1,993)
Deferred tax rate change	**-**	(2,327)
Exchange movements on translation of overseas operations	**(246)**	32
Total consolidated comprehensive loss for the year	**(55,340)**	(5,900)
Attributable to:		
Equity holders of the parent	**(55,392)**	(5,961)
Non-controlling interest	**52**	61
	(55,340)	(5,900)

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

Company Balance Sheet – as at 31 March 2023

	Note	**2023**	2022 Restated
		£'000	£'000
Fixed assets			
Tangible assets	11	**180**	232
Other investments	13	**272,269**	242,695
		272,449	242,928
Current assets			
Stocks	16	**63**	136
Debtors - amounts recoverable within one year	17	**50,955**	617
Retirement benefit surplus	21	**946**	42,532
Cash at bank and in hand		**13,304**	15,088
		65,269	58,373
Creditors - amounts falling due within one year			
Borrowings	18	**(941)**	0
Other creditors	19	**(76,465)**	(16,675)
		(77,406)	(16,675)
Net current (liability)/assets		**(12,137)**	41,698
Total assets less current liabilities		**260,311**	284,626
Creditors - amounts falling due in more than one year			
Borrowings	18	**(133,644)**	(133,333)
Other creditors	19	**(7,655)**	(9,143)
		(141,299)	(142,476)
Provisions			
Deferred tax	20	**207**	(9,942)
		207	(9,942)
Net assets		**119,219**	132,207
Capital and reserves			
Share capital	23	**6,449**	5,449
Share premium account	24	**42,319**	10,882
Capital redemption reserve		**1**	1
Profit and loss account		**70,450**	115,875
Shareholders' funds		**119,219**	132,207

Company Balance Sheet – as at 31 March 2023 (continued)

The loss in the year ended 31 March 2023 for the company is £13,768,000 (2022: £19,326,000 profit). The company has applied the section 408 exemption from preparing a separate profit and loss account. A statement of movement of reserves is given in the Company Statement of Changes in Equity. The accompanying notes are an integral part of these financial statements. The financial statements of South Staffordshire PLC, registered number 04295398, were approved by the Board of Directors and authorised for issue 26 January 2024.

R O'Malley, Director

Consolidated Statement of Changes in Equity – as at 31 March 2023

	Called-up Share Capital £'000	Share Premium Account £'000	Revaluation Reserve Restated £'000	Capital Redemption Reserve £'000	Merger Reserve £'000	Currency Translation Reserve £'000	Hedging Reserve £'000	Profit & Loss Account Restated £'000	Shareholders' Funds £'000	Non-controlling Interests £'000	Total Capital Employed £'000
Balance at 31 March 2021	5,449	10,882	17,155	1	(253)	(58)	(5,372)	28,342	56,146	206	56,352
Profit for the financial period								(11,432)	(11,432)	61	(11,371)
Exchange movements on translation of overseas operations						32			32		32
Change in value of hedging instruments - cash flow hedges							2,215		2,215		2,215
Deferred tax on change in value of hedging instruments - cash flow hedges							(554)		(554)		(554)
Actuarial gain relating to retirement benefit surplus								7,969	7,969		7,969
Deferred tax on actuarial gain relating to retirement benefit surplus								(1,993)	(1,993)		(1,993)
Deferred tax rate change							449	(2,776)	(2,327)		(2,327)
Amounts transferred to profit and loss							172		172		172
Deferred tax on amounts transferred to profit and loss							(43)		(43)		(43)
Total comprehensive income	-	-	-	-	-	32	2,239	(8,232)	(5,961)	61	(5,900)
Dividends (Note 9)								(24,658)	(24,658)		(24,658)
Amounts transferred to profit and loss			(1,292)					1,292	-		-
Balance at 31 March 2022	5,449	10,882	15,863	1	(253)	(26)	(3,133)	(3,256)	25,527	267	25,794

Consolidated Statement of Changes in Equity – as at 31 March 2023 (continued)

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

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

Company Statement of Changes in Equity – as at 31 March 2023

	Called-up Share Capital	Share Premium Account	Capital Redemption Reserve	Revaluation Reserve	Profit & Loss Account Restated	Hedging Reserve	Shareholders' Funds
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2021	5,449	10,882	1	-	5,233	-	21,565
Profit for the financial period	-	-	-	-	132,166	-	132,166
Actuarial gain relating to retirement benefit surplus	-	-	-	-	7,002	-	7,002
Deferred tax on actuarial gain relating to retirement benefit surplus	-	-	-	-	(1,751)	-	(1,751)
Deferred tax rate change	-	-	-	-	(2,117)	-	(2,117)
Total comprehensive income	-	-	-	-	135,300	-	135,300
Dividends (Note 9)	-	-	-	-	(24,658)	-	(24,658)
Balance at 31 March 2022	5,449	10,882	1	-	115,875	-	132,207
Profit for the financial period	-	-	-	-	(13,768)	-	(13,768)
Actuarial loss relating to retirement benefit surplus	-	-	-	-	(42,211)	-	(42,211)
Deferred tax on actuarial loss	-	-	-	-	10,554	-	10,554
Total comprehensive income	-	-	-	-	(45,425)	-	(45,425)
Dividends (Note 9)	-	-	-	-	-	-	-
New shares issued	1,000	31,437					32,437
Balance at 31 March 2023	6,449	42,319	1	-	70,450	-	119,219

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

Consolidated Cash Flow Statement – as at 31 March 2023

	Note	31-Mar-23 £'000	£'000	31-Mar-22 £'000	£'000
Cash inflow from operating activities			33,349		86,361
Corporation tax paid			35		(95)
Net cash inflow from operating activities	(a)		33,384		86,266
Cash flows from investing activities					
Purchase of tangible fixed assets		(89,564)		(50,427)	
Proceeds from sale of tangible fixed assets		470		1,003	
Interest received		2,368		4,182	
Repayment of loans from parent undertakings				25,000	
Increase in loans to parent undertakings				(37,600)	
Cash consideration for businesses acquired (including costs)		(21,988)			
Cash balances of businesses acquired (net)		3,523		3,110	
Net cash outflow from investing activities			(105,191)		(54,731)
Cash flows from financing activities					
Interest paid		(18,314)		(14,093)	
Equity dividends paid				(24,658)	
Drawdown of RCF		14,000		40,000	
Repayment of RCF		(14,000)		(100,500)	
Drawdown / additions to bank loans				95,000	
New Equity		32,437			
Bank loan issue costs paid				(1,891)	
Drawdown / additions to private placement loan notes		40,000		30,000	
Private placement loan notes issue costs paid		(336)		(42)	
Capital element of finance lease and hire-purchase rental payments		(267)		(64)	
Net cash inflow from financing activities			53,520		23,751
Increase in cash and cash equivalents			(18,287)		55,286
Cash or cash equivalents brought forward			70,299		15,013
Cash or cash equivalents carried forward			52,012		70,299

Purchase of tangible fixed assets relates to the cash paid out in the year in relation to fixed asset additions. The difference in that paid £90,485,000 (2022: £50,427,000) and additions in the fixed asset note of £91,325,000 (2022: £57,821,000) is due to an increase in the year of creditors due relating to capital purchases of £840,000 (2022: £7,394,000 increase).

The cash balance of £52,010,000 (2022: £70,299,000) represents positive cash balances of £80,326,000 (2022: £101,682,000) net of overdraft balances of £28,316,000 (2022: £31,381,000).

Notes to the Consolidated Cash Flow Statement

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

	Note	31-Mar-23 £'000	31-Mar-23 £'000	31-Mar-22 £'000	31-Mar-22 £'000
Total Group operating profit			18,986		28,598
Depreciation		30,864		31,360	
Amortisation of goodwill		5,464		2,867	
Impairment of goodwill		-		6,124	
Amortisation of intangible assets		843		778	
Amortisation of capital contributions		(3,432)		(3,356)	
Share of joint venture operating loss / (profit)		(723)		(516)	
Loss/(profit) on disposal of fixed assets		(473)		830	
Capital contributions received		14,882		8,728	
			47,425		46,815
Increase in stocks		(4,303)		(94)	
(Increase) / decrease in debtors		(61,113)		3,878	
Increase / (decrease) in creditors		32,355		7,164	
			(33,061)		10,948
Cash inflow from operating activities			33,349		86,361
Corporation tax paid			35		(95)
Net cash inflow from operating activities			33,384		86,266

(b) Reconciliation in movement in net debt

	31-Mar-23 £'000	31-Mar-22 £'000
Increase / (decrease) in net cash	(18,289)	55,288
	(18,289)	55,288
Finance lease repayments (cash)	267	64
Movement on bank term loans (non-cash)	(1,030)	-
Draw down of RCF	(14,000)	(40,000)
Repayments of RCF	14,000	100,500
Intercompany loan with parent undertaking	(715)	(14,291)
Issue of bank loans	-	(95,000)
Bank loan issue costs paid	-	1,887
Bank term loan issue cost amortisation (non-cash)	-	(732)
Issue of private placement loan notes (net of issue costs cash)	(48,164)	(29,958)
Private placement issue cost amortisation (non-cash)	-	307
Movement in derivatives (non-cash)	1,664	2,215
Movement on index-linked debt (non-cash)	(28,362)	(9,951)
Reduction in net debt in the year	(94,628)	(29,671)
Net debt brought forward	(452,857)	(423,186)
Net debt carried forward	(547,485)	(452,857)

Notes to the Consolidated Cash Flow Statement (continued)

(c) Analysis of net debt

	Restated Balance at 1 April 2022	Acquisitions and disposals	Cash Flow	Non-Cash Movements	Balance at 31 March 2023
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cash at bank and in hand (net of overdraft)	70,299	(105,191)	86,904		52,012
	70,299	(105,191)	86,904	-	52,012
Intercompany loan	(14,291)	-	-	(715)	(15,006)
Irredeemable debenture stock	(1,652)	-	(43)	43	(1,652)
Index-linked debt (net of issue costs)	(241,153)	-	(8,384)	(19,978)	(269,515)
Bank term loans (net of issue costs)	(68,245)	-	-	(1,030)	(69,275)
Private placement loan notes (net of issue costs)	(197,494)	-	(54,627)	6,465	(245,656)
Derivatives	(56)	-	-	1,664	1,608
Obligations under finance leases and hire-purchase contracts	(267)	-	251	15	(1)
Net debt	(452,859)	(105,191)	24,101	(13,536)	(547,485)

Non-cash movements represent indexation, amortisation of issue costs, amortisation of the discount/premium on index-linked debt and non-cash reduction in finance leases. The book value of net debt detailed above differs from the value used for covenant reporting purposes of £515,380,000 (2022: £424,911,000). Index-linked debt used for covenant reporting purposes is the indexed principal whereas, in accordance with applicable accounting standards, the book value represents amortised cost. Also, bank loans and private placement loan notes for covenant reporting purposes are reported at principal value before costs whereas the book value above includes un-amortised costs. A reconciliation of book net debt (as reported above) to net debt for covenant purposes is provided below.

	Balance at 31 March 2023	Balance at 31 March 2022
	£'000	£'000
Book net debt (as reported above)	(547,485)	(452,859)
Exclude intercompany loan	15,006	14,291
Exclude book premium on issue of index-linked debt	12,058	12,803
Exclude unamortised issue costs	(3,079)	(1,561)
Exclude accrued interest	3,933	2,359
Net debt reported for borrowing covenants	(519,567)	(424,967)

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

Notes to the financial statements

1. Statement of accounting policies

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

(a) General information and basis of accounting

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

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

(b) Basis of consolidation

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

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

(c) Turnover

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

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

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

Contract accounting is applied to certain contracts which the Group is a party to. Where the outcome of the contract can be assessed with reasonable certainty, attributable turnover and profit are calculated on an appropriate and prudent basis and included in the accounts for the period under review. Where a contract loss is anticipated, the entire anticipated loss is recognised immediately.

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

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

(d) Dividends

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

(e) Goodwill

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

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

(f) Tangible fixed assets and depreciation

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

Infrastructure Assets

Infrastructure assets principally comprise two separate regional networks of systems that are intended to be maintained in perpetuity at a specified level of serviceability by the continuing replacement and refurbishment of their components. Expenditure on infrastructure assets relating to increases in capacity or enhancements of the networks is treated as an addition, which is included at cost. Infrastructure renewals expenditure, which is the annual expenditure required to maintain the operating capability of the network, is not considered to represent an increase in capacity or network enhancement and is therefore not capitalised within tangible fixed assets but is expensed within operating costs for the year. New infrastructure assets are depreciated on a straight-line basis over their useful economic life of 100 years. The deemed cost of existing infrastructure assets determined as part of the transition to FRS 102 is being depreciated over the estimated remaining economic life of 80 years.

Other Assets

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

Boreholes Pumping stations, booster stations and treatment plant	Specialised Operational Assets	100 years 50-80 years

Mains, mains diversions Impounding reservoirs and land	Infrastructure Assets	100 years 50-80 years
Fixed plant	Non Specialised Operational Assets	20-30 years
Meters	Other Tangible Assets	15 years
Mobile plant	Other Tangible Assets	Up to 10 years
Office equipment	Other Tangible Assets	Up to 10 years
Motor vehicles	Other Tangible Assets	3-7 years

Impairment of non-current assets

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

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

(g) Grants and contributions

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

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

(h) Opex vs capex

Our business involves significant construction and engineering projects. Assessing the classification of costs incurred on such projects between capital expenditure and operating expenditure requires judgments to be made. The judgments are made based on objective criteria that the company has developed to facilitate the consistent application of its accounting policies. The costs of like¬ for-like replacement of infrastructure components are recognised in the income statement as they arise. Expenditure which results in quality or capacity enhancements to the operating capability of the infrastructure networks is capitalised.

(i) Leased assets

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

(j) Investments

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

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

(k) Stocks

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

(l) Foreign currency

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

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

(m) Pensions

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

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

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

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

In accordance with the agreed policy in the Group, as the South Staffordshire section of the defined benefit Water Companies Pension Scheme is a multi-employer scheme with deferred members of the scheme being employees of a number of companies in the

Group, this section is accounted for in the individual company accounts of South Staffordshire Plc, the holding company of the participating companies in the Group. The Cambridge Water section of the defined benefit Water Companies Pension Scheme is accounted for in the accounts of Cambridge Water Plc. The defined benefit scheme of G. Stow Plc is accounted for in the accounts of G. Stow Plc.

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

(n) Research and development

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

(o) Taxation

Current corporation tax payable is provided on taxable profits at the current rate.

Deferred tax is provided in respect of capital allowances in excess of depreciation, and all other timing differences that have originated, but not reversed at the balance sheet date using future tax rates anticipated at the time of reversal that have been enacted at the balance sheet date.

(p) Financial instruments

Financial assets

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

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

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

Financial Liabilities

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

The company's trade and other creditors and borrowings are initially measured at transaction price adjusted for transaction costs and subsequently measured at amortised cost. For the company's index linked borrowings, the initial EIR is calculated based on expected cash flows at initial recognition. A revised EIR is calculated at the start of each period using the revised forecast cash flows (reflecting the updated inflation expectations) and this rate is applied prospectively until the next revision to the EIR. In each period, the company recognises interest expense (and increases the carrying amount of the loan) based on the prevailing EIR. Any premium/discount and costs of issue are amortised over the life of the instrument, with the amortisation being included in the effective interest rate of the instrument that is included in finance charges in the profit and loss account.

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

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

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

(q) Hedge accounting

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

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

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

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

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

(r) Related party transactions

The Group has no related party transactions requiring disclosure other than those disclosed in note 30.

(s) Provisions

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

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

(t) Contingent liabilities

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

(u) SaaS agreements

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

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

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

(v) Exceptional items

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

Principal accounting judgements, estimates and assumptions

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

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

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

The more significant judgements were as follows:

Opex vs Capex

Our business involves significant construction and engineering projects. Assessing the classification of costs incurred on such projects between capital expenditure and operating expenditure requires judgments to be made. The judgments are made based on objective criteria that the company has developed to facilitate the consistent application of its accounting policies. The costs of like-for-like replacement of infrastructure components are recognised in the income statement as they arise. Expenditure which results in quality or capacity enhancements to the operating capability of the infrastructure networks is capitalised.

Recognition of a contingent liability

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

The quantum and value of civil claims we may receive, and the costs of liabilities that may be incurred addressing those claims, and any additional regulatory penalties, involves significant judgement and uncertainty. It is not possible to reliably estimate a provision based on currently available information. The assessment is therefore subject to change as the claims progress and the factual position becomes clearer.

Goodwill

The judgement is that we undertake an exercise to estimate future cash flows from each CGU when we conduct our annual impairment review. The key judgement used is over the EBITDA which impacts the profit assumed and hence free cash flow generation in each CGU. This is used to determine if we believe there to be any impairment factors for which further review would be required.

The key accounting estimates were:

Accrued income

An estimate of water consumption by metered customers of South Staffs Water since the date of the last water bill and the corresponding income that remains unbilled at the end of the year (accrued income) is required to be made each year. This estimate uses a historical water consumption rate for each customer from South Staffs Water's billing system and applies this consumption rate to the unbilled period and the related tariff to estimate unbilled income for that period. The accrued income for metered customers as at 31 March 2023 was £14,513,000 (2022: £13,558,000). A 1% movement in consumption equates to a £122,000 movement. Other accrued income, including unregulated group activities, totalled £6,967,000 (2022: £13,535,000), with the balances assessed on an individual contract basis based on work completed at the reporting date.

Amortised cost of index-linked borrowings

In order to record the company's index-linked borrowings at amortised cost the actual inflation rate (Retail Price Index - or RPI) per annum is assessed. The net book value of index-linked borrowings as at 31 March 2023 was £269,515,000 (2022: £241,153,000).

Bad and doubtful debt provision

The recoverability of trade debtors, and therefore the amount of bad and doubtful debt provision held against trade debtors in the balance sheet at each year-end, requires judgement. For South Staffs Water, this judgement requires consideration of the historical and forecast debt collection rates in respect of different categories of customers and trade debt, usually calculated as a percentage of the total amount billed in each year. This information is used in order to estimate the level of debt outstanding at the end of the year which is expected to be irrecoverable after following the processes of collection that South Staffs Water adopts. This estimate represents the year-end bad and doubtful debt provision of South Staffs Water which was £35,414,000 as at 31 March 2023 (2022: £32,372,000). For each 1% increase in the whole life cycle collection rates the bad and doubtful debt provision will increase approximately £1,100,000.

Tangible fixed assets – Assessment of useful economic lives

There is a requirement to estimate the useful economic lives of tangible fixed assets in order to depreciate the cost or deemed cost of these assets and make an appropriate charge to the profit and loss account over that period for each asset. This estimate is based on a combination of engineering data, experience of similar assets and on the businesses forecast replacement or rehabilitation cycle and its investment plan. Industry practice is also considered as part of the overall estimate of assets lives. The total net book value of Group tangible fixed assets as at 31 March 2023 is £668,063,000 (2022: £607,587,000). South Staffordshire Water PLC assets included in the total above amounted to £659,848,000 (2022: £597,728,000). The average useful economic life for tangible fixed assets is 45 years and if this was to move by 5 years, the impact would be approximately £1,500,000.

Defined benefit pension schemes

Judgements, assumptions and estimates are required to appropriately record the assets and liabilities of defined benefit pension schemes in the balance sheet at each period end. The Directors use the services of professional actuaries to advise on the most appropriate valuations for these assets and liabilities in accordance with the relevant accounting standard. The net accounting surplus for these assets and liabilities as at 31 March 2023 in the consolidated balance sheet is £1,874,000 (2022: £54,538,000).

2. Analysis of turnover

Turnover

	2023 £'000	2022 £'000
South Staffs Water	141,872	139,419
Inter-divisional	(57)	(1)
South Staffs Water (external)	141,815	139,418
Non-regulated service businesses	270,735	182,283
Inter-divisional	(58,998)	(40,501)
Non-regulated service businesses (external)	211,737	141,782
Group Turnover	353,552	281,200

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

3. Operating costs

	2023	2022 Restated
	£'000	£'000
Raw materials and consumables	42,476	32,451
Staff costs (note 4)	105,277	91,265
Depreciation (non-infrastructure assets)	26,576	27,555
Depreciation (infrastructure assets)	4,288	3,805
Infrastructure renewals expenditure	18,864	12,845
Amortisation of goodwill	5,464	2,867
Amortisation of intangible assets	843	778
Own work capitalised	(296)	(8,594)
Loss on disposal of fixed assets	-	830
Operating lease rentals:		
plant and machinery	39	35
other	5,004	4,295
Charge for bad and doubtful debts	3,714	4,516
Other operating costs	129,455	82,460
	341,704	255,108

Other operating costs includes power £15,889,000 (2022: £13,709,000), hired and contracted services £63,112,000 (2022: £47,000,000) and other operating costs £55,111,000 (£21,751,000).

Auditor remuneration is analysed as follows:

	2023	2022
	£'000	£'000
Audit of the Company's annual accounts	176	100
The audit of other Group undertakings persuant to legislation	610	444
Total audit fees	786	544
Audit related assurance services	-	102
Other assurance services	-	-
Total non-audit fees	-	102

4. Staff costs

	2023 £'000	2022 £'000
Wages, salaries and bonuses	92,851	80,927
Social security costs	9,349	7,595
Pension costs	3,076	2,743
	105,277	91,265

	2023 Number	2022 Number
Average number of employees:		
SSPLC	92	76
South Staffs Water	422	431
Non-regulated service companies	2,086	2,182
	2,600	2,688

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

5. Directors' remuneration

	2023 £'000	2022 £'000
Emoluments	914	849
Company contributions to money purchase pension schemes	4	37
	918	886

No director's holding office at 31st March 2023 accrued benefits under a Group defined benefit pension scheme during the year (2022: Nil) and 2 directors were contributing members of a Group money purchase pension scheme during the year (2022: 2 directors). There were £8,000 of contributions paid by the Group in respect of money purchase pension schemes for directors during the year (2022: £37,000).

The highest paid director received emoluments of £457,000 (2022: £417,000 during the year. There were £4,000 of Group contributions in respect of a money purchase pension scheme for the highest paid director (2022: £17,000).

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

6. Other operating income

	2023 £'000	2022 £'000
Profit on disposal of fixed assets	473	-
Rental income	203	462
Contributions	3,432	3,356
Corporate job retention scheme reciepts	15	89
Infrastructure renewals contributions	7,857	3,518
	11,980	7,425

Rentals included in rental income include:

- Fradley land, tenancy with rent £30,000 per annum paid annually in advance; hence this is an annual tenancy running year to year.
- Groundwell industrial estate with rent £60,756 per annum paid annually in advance; hence, this is an annual tenancy running year to year.
- Altham industrial estate with rent £24,000 per annum paid annual in advance; hence, this is an annual tenancy running year to year.
- Infrastructure renewals contributions are for mains diversionary works.
- During the year certain group companies utilised the government's Corporate Job Retention Scheme, with certain employees being placed on furlough during the COVID-19 pandemic. The total amount of contribution from the scheme was £15,000 (2022: £89,000) and has been disclosed as other operating income above.

7. Finance costs (net)

	2023	2022
	£'000	£'000
Interest payable and similar charges:		
Index-linked debt (cash)	8,384	7,981
Index-linked debt (non-cash)	28,656	9,952
Bank term loan, drawings on short-term bank loans and other interest	3,489	3,460
Private placement loan notes	6,465	2,805
Finance leases and hire-purchase contracts	15	-
Irredeemable debenture stock	43	68
	47,052	24,265
Interest receivable:		
Bank interest receivable	(2,011)	-
Interest receivable from joint ventures	(357)	(317)
Interest on loans to parent undertakings	(2,592)	(3,559)
	42,091	20,389
Other finance income (net):		
Defined benefit pension scheme interest credit (net)	-	(297)
Amounts recycled from hedging reserve	-	172
	42,091	20,264

8. Tax on profit

	2023	2022
		Restated
	£'000	£'000
Current tax		
UK corporation tax at 19% (2022: 19%)	170	(421)
Adjustment in respect of prior years	(754)	157
Foreign tax		94
Total current tax charge	(584)	(170)
Deferred tax		
Origination and reversal of other timing differences	(5,598)	4,405
Impact of changes in future tax rates	-	15,307
Adjustment in respect of prior years	(549)	(526)
Total deferred tax	(6,147)	19,186
Total tax charge	(6,731)	19,016

8. Tax on profit (continued)

	2023	2022
	£'000	£'000
Deferred tax		
Actuarial (loss) / gain on pension scheme	(13,355)	1,993
Movement in hedging reserve	459	554
Effect of change in deferred tax rate	-	2,327
Total tax charge	(12,896)	4,874

The tax assessed on the profit for the year is higher than the standard rate of corporation tax in the UK of 19% (2022: 19%). The differences are reconciled below:

	2023	2022
	£'000	£'000
(Loss)/profit on ordinary activities before tax	(23,106)	7,645
(Loss)/profit on ordinary activies multiplied by standard UK cor	(4,390)	1,453
Adjustments in respect of prior years	(1,302)	(368)
Effect of changes in deferred tax rate	-	15,308
CT/DT tax rate differential	-	1,102
Difference in current tax and deferred tax rates	(1,344)	(42)
Expenses not deductible for tax purposes (net)	2,235	2,043
Movement in DTA not recognised (CIR restriction)	-	-
Benefit of capital allowances super-deduction 30% element	(1,932)	(870)
Foreign tax rates	56	22
Group relief (received)/surrendered not paid for	(54)	367
Total tax charge	(6,731)	19,014

Profit on ordinary activities multiplied by the standard rate of tax for March 2022 has been restated. The prior period restatement note 33 on page 154 gives further details around the restatement. The £15,308,000 reconciling item for the effect of changes in the deferred tax rate in the prior year is the impact of the re-measurement of the deferred tax liabilities to account for the increase in the UK corporation tax rate from 19% to 25%, effective from 1 April 2023. The rate increase was substantively enacted in the Finance Act 2021, on 24 May 2021.

No deferred tax has been recognised on capital gains rolled over against the cost of acquisition of certain property and structures owned by South Staffordshire Water PLC. The gains will come into charge if the assets are sold and not replaced by suitable qualifying assets. As the properties are essential assets of the water supply business it is regarded as unlikely that the gains will come into charge. The potential deferred tax amounts to £2,733,000 (2022: £2,733,000).

9. Dividends paid

	2023 £'000	2022 £'000
Equity Interests		
Ordinary dividends paid of £nil (2022: 192.3p) per share	-	24,658

10.Intangible assets

Group

	Development Costs £'000	Software £'000	Goodwill £'000	Total £'000
Cost				
At 31 March 2022	8,136	10,951	88,903	107,989
Additions		921	41,427	42,348
Disposals		(9)		(9)
At 31 March 2023	8,136	11,863	130,330	150,328
Amortisation and impairment				
At 31 March 2022	1,972	6,584	50,602	59,158
Amortisation charge for the yea	843	446	5,464	6,753
Disposals		(5)		(5)
At 31 March 2023	2,815	7,025	56,066	65,905
Net Book Value				
At 31 March 2023	5,321	4,838	74,264	84,423
Net Book Value				
At 31 March 2022	6,163	4,367	38,301	48,831

Following a review of the company's historic practice of including software assets within the tangible fixed assets, software assets held at 31 March 2022 have been reclassified to a separate intangible asset note. This reclassification has no impact on the net assets result for the year or cash flows. The impact on the 31 March 2022 balance sheet has been to reclassify software with a net book value of £4,367,000 from tangible fixed assets to intangible fixed assets.

Details of acquisitions made during the year and the resulting goodwill acquired are provided in note 29.

11.Tangible assets

Group

	Land and Buildings £'000	Infrastructure Assets £'000	Fixed Plant & Equipment £'000	Specialised Operational Assets £'000	Total £'000
At 1 April 2022	31,026	518,634	301,237	285,577	1,136,474
Additions	296	-	90,108	-	90,404
Disposals	(152)	-	(5,500)	-	(5,652)
At 31 March 2023	31,171	518,634	385,845	285,577	1,221,227
Depreciation					
At 1 April 2022	10,977	197,246	185,339	139,693	533,255
Charge for the year	276	4,288	17,126	8,728	30,418
Disposals	(140)	-	(5,531)	-	(5,671)
At 31 March 2023	11,113	201,534	196,934	148,421	558,002
Net Book Value					
At 31 March 2023					
Owned	20,057	317,100	188,674	136,859	662,691
Leased	-	-	237	297	534
	20,057	317,100	188,911	137,156	663,225
Net Book Value					
At 31 March 2022					
Owned	20,049	321,388	115,608	145,581	602,627
Leased	-	-	290	303	593
	20,049	321,388	115,898	145,884	603,220

Freehold land of £2,337,000 (2022: £2,337,000) included above is not subject to depreciation.

Tangible fixed assets financed by leasing and hire-purchase contracts amounted to £6,952,000 (2022: £7,045,000) less accumulated depreciation of £6,678,000 (2022: £6,715,000).

Tangible fixed assets in the course of construction included in the table above had a cost of £107,064,000 at 31 March 2023 (2022: £45,825,000).

11. Tangible fixed assets (continued)

Company

	Land and Buildings £'000	Plant & Equipment £'000	Total £'000
Cost			
At 1 April 2022	80	210	290
Additions	-	-	-
Disposals	-	-	-
At 31 March 2023	80	210	290
Depreciation			
At 1 April 2022	-	57	57
Charge for the year	-	53	53
Disposals	-	-	-
At 31 March 2023	-	110	110
Net Book Value			
At 31 March 2023	80	100	180
Net Book Value			
At 31 March 2022	80	153	233

Freehold land of £80,000 (2022: £80,000) held at 31 March 2023 was not subject to depreciation.

None of the tangible fixed assets of the Company were financed by finance leases or hire purchase agreements.

12. Investment in joint venture

	£'000
Balance at 1 April 2022	421
Profit after taxation	723
Balance at 31 March 2023	1,144

During the year the Group provided Wholesale water services to the retailer Pennon Water Services Ltd and turnover of £17,726,000 (2022: £17,771,000) in relation these transactions was recognised and there was a trade debt outstanding of £17,000 (2022: £17,000) at the year end.

The Group has an outstanding interest-bearing loan balance due from PWSL of £6,517,000 (2022: £6,517,000) which remained outstanding at 31 March 2023.

13. Fixed asset investments

Group

	Loan to joint venture £'000	Loans to parent undertakings £'000	Total £'000
At 1 April 2022	6,517	66,628	73,145
Additions during the year			-
At 31 March 2023	6,517	66,628	73,145

Included in loans to parent undertakings are:

- £22,200,000 (2022: £22,200,000) identified as a loan with no fixed repayment date with an interest rate of 5.5%;
- £29,807,000 (2022: £29,807,000) identified as a loan with no fixed repayment date with an interest rate of 7%; and
- £15,000,000 (2022: £15,000,000) identified as a loan with no fixed repayment date with no interest charged.

13.Fixed asset investments (continued)

Company

	Loan to Joint Venture	Loans to subsidiary undertakings	Loans to Parent Undertakings Restated	Investment in Associate	Shares in Subsidiary Undertakings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2022	6,517	99,792	67,007	1,982	67,397	242,695
Additions during the year					38,497	38,497
Repayments during the year		(8,923)				(8,923)
At 31 March 2023	6,517	90,869	67,007	1,982	105,894	272,269

The additions in the shares in subsidiary undertakings during the year relate to the acquisition of Gateway Group of Companies Holdings Limited. Furter details of this acquisition are provided in Note 30.

The repayments in the loan to subsidiary undertakings during the year relate to a repayment in the agreement between SSW Finance Limited and South Staffordshire PLC.

As at 31 March 2023, the Company's trading subsidiary undertakings, all of which are incorporated in the United Kingdom with the exception of Echo India Private Limited, which is incorporated in India and OnSite Utility Services Canada Limited, which is incorporated in Canada, and all of which have only ordinary shares in issue, were as follows:

Company Name	**Company number**	**Direct Ordinary shareholding**	**Indirect Ordinary shareholding**	**Nature of Business**
South Staffordshire Water PLC	02662742		100%	Regulated water supply
Aqua Direct Limited	03349782	100%		Supply of spring and mineral water
Office Watercoolers Limited	04144740	100%		Rental of water cooling units and sale of spring water
Echo Managed Services Limited	04102885	100%		Customer management
Echo Northern Ireland Limited	NI057759		100%	Customer management
Inter-Credit International Limited	01024737	100%		Customer credit management

13.Fixed asset investments (continued)

Company Name	Company number	Direct Ordinary shareholding	Indirect Ordinary shareholding	Nature of Business
Echo India Private Limited	U72900DL2011F TC227486		100%	Software development support services to UK parent company
SSW Finance Limited	13703008		100%	Holding company
SSW Holdings Limited	13682466	100%		Holding company
SSI Services (UK) Limited	03824088	100%		Holding company for those companies listed below
OnSite Central Limited	02712788		100%	Sewer and wastewater asset inspection, relining, surveying, cleaning and flow monitoring. Clean water asset installation, repair, maintenance and refurbishment
OnSite Utility Services Canada Limited	BC1007169		100%	Sewer and wastewater asset inspection, surveying and cleaning
Integrated Water Services Limited	05283349		100%	Mechanical and electrical and water hygiene services
Hydrosave UK Limited	03460346		100%	Water main leak detection services and clean water network management services
Immerse Asset Management Limited	02784266		100%	Water efficiency and bill management services
G. Stow Plc	02645390		100%	Borehole drilling and refurbishment
Advanced Engineering Solutions Limited	03082093		100%	Pipeline engineering

13.Fixed asset investments (continued)

Company Name	Company number	Direct Ordinary shareholding	Indirect Ordinary shareholding	Nature of Business
Omega Red Group Limited	02197902		100%	Electrical earthing and lighting protection systems
Omega Red Holdings Limited	06399736		100%	Holding company
The Gateway Group of Companies Holdings Limited	13985732	92.5%		Holding company
The Gateway Group of Companies Limited	08448586		92.5%	Holding company
Infrastructure Gateway Limited	04546642		92.5%	Construction of utility projects for fluids, electricity and telecommunications
Pennon Water Services Limited	09902835	20%		Regulated water supply

Hydriades IV Limited has issued guarantees over the liabilities of the following companies at 31 March 2023 under section 479C of the Companies Act 2006 and these entities are exempt from the requirements of the Act relating to the audit of their individual financial statements by virtue of section 479A of the Act:

- SSW Finance Limited (13703008)
- SSW Holdings Limited (13682466)
- Immerse Asset Management Limited (02784266)
- Inter-credit International Limited (01024737)

13.Fixed asset investments (continued)

Other subsidiaries of the Company as at 31 March 2023, which were all non-trading companies as at that date, were as follows:

The following dormant subsidiaries of the Company have taken advantage of the Companies Act 2006 Section 394A exemption from preparing individual accounts. These subsidiaries are exempt from the requirement to prepare individual accounts by virtue of this section.

365 Environmental Services Limited	Rapid Systems Limited
Aquastations Water Coolers Limited	Ion Water and Environmental
Brocol Consultants Limited	South Staffordshire Infrastructure Brightwater Limited
Cambridge Water Plc	Subaqua Solutions Limited Data Contracts Specialist
Debt Action Limited	Wells Water Treatment Services Limited Freshwater Coolers Plc
Green Compliance Water Division Limited	IWS Water Hygiene Services Limited
Pump Services Limited	OnSite Specialist Maintenance Limited Waterflo Limited
Recoup Revenue Management Limited	Portadam Limited
IWS Pipeline Services Limited	South Staffordshire Water Holdings
Lingard Limited	Woodside Environmental Services Greenacre Pumping Systems
Phoenix Water Coolers Limited	Perco Engineering Services Limited

The following dormant subsidiaries of the Company have taken advantage of the Companies Act 2006 Section 394A exemption from preparing individual accounts. These subsidiaries are exempt from the requirement to prepare individual accounts by virtue of this section.

365 Environmental Services Limited	Rapid Systems Limited
Aquastations Water Coolers Limited	Ion Water and Environmental
Brocol Consultants Limited	South Staffordshire Infrastructure Brightwater Limited
Cambridge Water Plc	Subaqua Solutions Limited Data Contracts Specialist
Debt Action Limited	Wells Water Treatment Services Limited Freshwater Coolers Plc
Green Compliance Water Division Limited	IWS Water Hygiene Services Limited
Pump Services Limited	OnSite Specialist Maintenance Limited Waterflo Limited
Recoup Revenue Management Limited	Portadam Limited
IWS Pipeline Services Limited	South Staffordshire Water Holdings
Lingard Limited	Woodside Environmental Services Greenacre Pumping Systems
Phoenix Water Coolers Limited	Perco Engineering Services Limited

As at 31 March 2023, the registered address of the above subsidiaries is Green Lane, Walsall, WS2 7PD, with the exception of Aqua Direct Limited (Elmhurst Spring, Lichfield Road, Elmhurst, Lichfield, Staffordshire, WS13 8HQ), Echo Northern Ireland Limited (Capital House, Wellington Place, Belfast, Northern Ireland, BT1 6FB), Echo

14. Commitments

Group capital commitments outstanding at 31 March 2023 were £44,682,000 (2022: £74,160,000). Payments due not later than one year were £35,900,000 (2022: £43,689,000). The majority of this relates to the major upgrade of the South Staffordshire Water's two largest water treatment works.

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

15. Capital contributions – accruals and deferred income

	Infrastructure Assets £'000	Other Assets £'000	Total £'000
At 1 April 2022	153,637	15,067	168,704
Capital contributions received	3,849	11,033	14,882
Amortised in year	(2,000)	(1,432)	(3,432)
Balance at 31 March 2023	155,486	24,668	180,154

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

16. Stocks

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Stores and raw materials	9,532	5,229	63	136

17. Debtors

	Group		Company	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Amounts recoverable within one year				
Trade debtors	65,637	42,631	(0)	-
Amounts owed by group undertakings	849	-	48,984	-
Amounts owed by parent undertakings	151	364	151	-
Other debtors	23,554	-	1,013	43
Prepayments	4,878	853	218	574
Accrued income	31,878	23,381	-	-
Corporation tax	-	-	90	-
	126,947	67,229	50,455	617
Amounts recoverable in more than one year				
Other Amounts owed by parent undertakings	2,441	2,654	-	-
Derivative financial debtors	1,608	-	-	-
	130,996	69,883	50,455	617

Other debtors has increased in the year due to £20m facility held as a short-term fixed period deposit that is due to mature in 2 months. The remainder of the other debtors are timing difference of interest receivable balances held at the year end.

Prepayments and accrued income have both increased in the year due to the assets received on the acquisition that was completed during the year.

18.Borrowings

	Group		Company	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Bank overdraft	28,316	31,381	941	-
Obligations under finance leases and hire purchase (	-	80	-	-
	28,316	31,461	941	-
Amounts falling due in more than one year:				
Bank loans (unsecured and net of issue costs):-	-		-	
- payable between one and two years	-	-	-	-
- payable between two and five years	69,275	68,244	39,303	133,333
Indexed-linked debt	269,515	241,153	-	-
Private placement loan notes	245,658	197,494	94,341	-
Irredeemable debenture stock (unsecured)	1,652	1,633	-	-
Perpetual debenture stock (unsecured)	-	19	-	-
Amounts payable to parent undertakings	15,006	14,291	-	-
Obligations under finance leases and hire purchase (	-		-	-
- payable between one and two years	-	-	-	-
- payable between two and five years	-	187	-	-
	601,106	523,021	133,644	133,333
Total borrowings	629,422	554,482	134,585	133,333

For the analysis of Group net debt, refer to the Group Cash Flow note (a) which can be found on page 109.

Book value and covenants values

	2023	2022
Retail Price Index-Linked loan	**£'000**	**£'000**
Un-Indexed Loan Value	111,400	111,400
Indexed/Covenant Loan Value	199,540	177,624
Book Value	210,458	188,871
Retail Price Index-Linked Bond		
Un-Indexed Loan Value	35,000	35,000
Indexed/Covenant Loan Value	58,200	51,990
Book Value	59,057	52,283

18.Borrowings (continued)

Details on debt facilities

A full list of fixed, floating and Index Linked debt is shown below with maturity dates and agreed coupons. The RCF facilities listed below are shown at the value that is agreed and available as at 31 Mar23

Excluding Index Linked Debt	Borrower	Lender	RCF / Term	Fixed / Floating	Coupon / Margin	Start	Maturity
£38M Barings Private Placement	Company	Barings	Term	Fixed	3.06%	Dec-21	Dec-29
£57M Barings Private Placement	Company	Barings	Term	Fixed	3.19%	Dec-21	Dec-31
£20M Siemens RCF	Company	Siemens	RCF	Floating	2.25%	Dec-21	Dec-26
£20M Lloyds RCF	Company	Lloyds	RCF	Floating	2.25%	Dec-21	Dec-26
£43M Metlife Private Placement Series A Notes	SSW Finance Ltd	MetLife	Term	Fixed	2.93%	Feb-20	Jan-26
£30M Metlife Private Placement Series B Notes	SSW Finance Ltd	MetLife	Term	Fixed	3.02%	Feb-20	Jan-26
£10M Metlife Private Placement Series C Notes	SSW Finance Ltd	MetLife	Term	Fixed	2.84%	Dec-21	Dec-31
£1.65M Irredeemable Debentures	SSW Plc	Various	Term	Fixed	4.11%	Feb-20	Mar-60
£30M NatWest RCF	SSW Plc	NatWest	RCF	Floating	2.85%	Feb-20	Jul-25
£20M Pricoa Private Placement Series A	SSW Plc	Pricoa	Term	Fixed	2.57%	Sep-21	Sep-36
£40M Pricoa Private Placement Series B	SSW Plc	Pricoa	Term	Fixed	2.75%	Sep-22	Sep-37

Index Linked debt			RCF / Term	Fixed / Floating	Coupon / Margin	Start	Maturity
£111.4M Artesian Finance Bond	SSW Plc	Artesian III	Term	ILD	3.76%	Dec-05	Mar-46
£35M Euro Bond	SSW Plc	Bond holders	Term	ILD	1.84%	Jun-08	Mar-51

19.Creditors

	Group		Company	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Payments received in advance	34,523	31,910	-	-
Trade creditors	72,777	60,845	3,240	2,477
Amounts owed to other group undertakings	0	-	56,249	12,661
Other creditors	42,840	14,578	14,584	1,358
Corporation tax payable	1,054	1,538	-	30
Other taxation and social security	2,697	2,523	245	149
	153,892	111,394	74,318	16,675
Amounts falling due in more than one year:				
Payments received in advance	5,144	8,031	5,144	8,031
Other creditors	12,409	8,412	2,511	1,112
Derivative financial liabilities	-	56	-	-
	17,553	16,499	7,655	9,143

Derivative financial liabilities represent the market value of floating to fixed rate interest rate swaps.

Other creditors have increased during the year due to the contingent consideration liability created on the acquisition that was completed on during the year. As well as this, the Group inherited other creditors on the acquisition.

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

Included in Other creditors due over one year are amounts provided with respect to regulatory penalties related to this matter.

20.Provisions for liabilities

Group	Dilapidations	Deferred Tax Restated	Total
	£'000	£'000	£'000
At 1 April 2022	891	79,915	80,806
Prior year adjustment to reserves on restatement	-	(730)	(730)
Revised opening at 1 April 2022	891	79,185	80,076
Profit and loss account charge/(credit)	61	(6,146)	(6,085)
Charge to other comprehensive income	-	(12,896)	(12,896)
Other adjustments	-	35	35
At 31 March 2023	952	60,178	61,130

Company	Deferred Tax
	£'000
At 1 April 2022	9,942
Profit and loss account charge	406
Amounts acquired with subsidiary undertakings	
Charge to other comprehensive income	(10,554)
Other adjustments	
At 31 March 2023	(206)

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

21.Deferred tax

	Group		Company	
	2023	2022 Restated	2023	2022
	£'000	£'000	£'000	£'000
Deferred tax liabilities/(assets) are provided as follows:				
Accelerated capital allowances	78,221	67,245	(443)	(531)
Tax losses	(16,629)	(730)		-
Timing differences in respect of hedging reserves	(816)	(1,275)		-
Timing differences in respect of retirement benefits	566	13,635	237	10,633
Deferred interest deductions	(1,698)			
Other timing differences	534	310		(160)
	60,178	79,185	(206)	9,941

Deferred tax assets and liabilities have been offset. The group's expectation is that there would be a net reduction in the deferred tax liability of £839,000 in the next 12 months.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to do so and where the assets and liabilities relate to taxes levied by the same taxation authority.

21. Deferred tax (continued)

No deferred tax has been recognised on capital gains rolled over against the cost of acquisition of certain property and structures owned by South Staffordshire Water PLC. The gains will come into charge if the assets are sold and not replaced by suitable qualifying assets. As the properties are essential assets of the water supply business it is regarded as unlikely that the gains will come into charge. The potential deferred tax amounts to £2,733,000 (2022: £2,733,000)

22. Contingent liabilities

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

The quantum and value of civil claims we may receive, and the costs of liabilities that may be incurred addressing those claims, and any additional regulatory penalties, involves significant judgement and uncertainty. It is not possible to reliably estimate a provision based on currently available information. The assessment is therefore subject to change as the claims progress and the factual position becomes clearer.

The Group has received a notice of intention to impose a penalty under regulations 18 of the Network and Information Systems Regulations 2018 (as amended) by the Drinking Water Inspectorate (DWI") related to the cyber-attack. It is not possible to reliably estimate a provision based on currently available information. We are in correspondence with the DWI and any representations made by the Group in response to the intention to issue a penalty notice will be considered by the DWI in full prior to any decision being made as to whether the DWI will issue a final penalty notice and what the quantum of that penalty.

23. Share capital

Group and Company	2023	2022
	£'000	£'000
Authorised		
47,058,824 Ordinary Shares of 42.5p	20,000	20,000
	20,000	20,000
Issued and fully paid		
15,172,797 Ordinary Shares of 42.5p each	6,449	5,449
(2022: 12,819,856 Ordinary Shares of 42.5p)		
	6,449	5,449

On 23 January 2023, 2,352,941 ordinary shares with the aggregate nominal value of £42.5p were issued at £13.786 each in exchange for cash.

24.Other reserves

Group

	Share premium account £'000	Revaluation reserve Restated £'000	Capital redemption reserve £'000	Merger reserve £'000	Currency translation reserve £'000	Hedging Reserve £'000
At 1 April 2021	10,882	17,155	1	(253)	(58)	(5,372)
Total comprehensive income for the year	-	-	-	-	32	2,239
Reserve transfers	-	(1,292)	-	-	-	-
At 1 April 2022	10,882	15,863	1	(253)	(26)	(3,132)
Total comprehensive income for the year	31,437		-	-	(85)	1,376
Reserve transfers	-	(220)	-	-	-	-
At 31 March 2023	42,319	15,643	1	(253)	(111)	(1,756)

The share premium account represents the cash consideration paid for the issued 12,819,856 shares of 42.5p each, giving rise to the share premium accounts of £10,882,000. During the current year the company received an equity injection of £32,437,451 for paid issued shares of 2,352,941 at 42.5p, giving rise to an additional share premium of £31,437,451.

The revaluation reserve represents the deemed cost of existing infrastructure assets determined as part of the transition to FRS 102 which gave rise to a revaluation reserve of £18,800,000, net of deferred tax, which is being depreciated on a straight-line basis over the estimated remaining economic life of 80 years.

The capital redemption reserve represents the purchase of 660,000 ordinary 'B' shares of 0.01p each repurchased by the Group in March 2008 for a consideration of £1 and subsequently cancelled, creating a capital redemption reserve of £660.

The merger reserve related to the demerger of the Group from Homeserve PLC on 6 April 2004, as a group reconstruction was completed in order to transfer legal ownership of certain companies and businesses to South Staffordshire PLC or its subsidiaries. In accordance with Financial Reporting Standards the above group reorganisations has been accounted for using merger accounting principles.

The currency translation reserve represents differences arising from translating foreign currency assets and liabilities at the closing balance sheet rate compared to the average rate applied to retained earnings.

The hedging reserve represents fair value movements relating to interest rate swap agreements entered in to by South Staffordshire Water PLC, further details of the swap can be found in note 27.

25.Operating lease commitments

At 31 March 2023 the Group and Company were committed to making the following total minimum payments under non-cancellable operating leases:

Group	2023 Buildings £'000	2022 Buildings £'000	2023 Other £'000	2022 Other £'000
Amounts due:				
Within one year	674	728	2,032	2,291
Between two and five years	1,577	771	4,144	3,494
After five years	238	32	-	-
	2,489	1,531	6,176	5,785

Company	2023 Motor Vehicles £'000	2022 Motor Vehicles £'000
Amounts due:		
Within one year	116	23
Between two and five years	165	29
After five years	-	-
	281	52

26.Non-controlling interest

	£'000
At 1 April 2022	267
Profit on ordinary activities after taxation	52
Acquisition of non-controlling interest	(267)
Acquisition of a subsidiary	(375)
At 31 March 2023	(323)

27. Financial assets and liabilities

The Group's financial assets and liabilities include cash, loans receivable, borrowings, derivative financial assets and liabilities, trade creditors and trade debtors. Borrowings as at 31 March 2023 represent bank term loans, private placement loan notes, finance lease obligations, index-linked debt and irredeemable debenture stock. The purpose of the Group's borrowings is to finance the Group's operations. It is and has been throughout the year and the previous year under review, the Group's policy that no trading in financial instruments shall be undertaken. The Group's policy in respect of cash, loans receivable and borrowings are to maintain flexibility with both fixed and floating interest rates and long and short-term borrowings while not exposing the Group to significant risk of market movements (see below). As at 31 March 2023, derivative financial liabilities represent floating to fixed interest rate swaps used as cash flow hedges to reduce the Group's risk to changes in SONIA.

Borrowings	2023 £'000	2022 £'000
Retail Price Index-linked debt	269,515	241,153
Fixed rate financial liabilities	291,591	134,305
Floating rate financial liabilities	68,316	133,333
	629,422	508,791

The above borrowings are stated at their book value as opposed to the value used for borrowing covenant purposes. See note 18 for a comparison between book and covenant net debt. The floating rate borrowings comprise sterling denominated short-term bank loans (revolving credit facilities) that bear interest at rates based on SONIA. Floating rate bank term loans, include a principal value of £30,000,000 (2022: £30,000,000) that is effectively swapped to fixed rate by cash flow hedges using floating to fixed interest rate swaps where cash flows under the swaps have commenced. The Group's trade debtors and trade creditors are not subject to interest unless considered to be overdue.

Fixed Rate Borrowings	Weighted average interest rate %	Weighted average period for which rate is fixed Years
2023 Sterling	3.21	6.8
2022 Sterling	2.51	7.1

27.Financial assets and liabilities (continued)

Financial risks

The Group's activities result in it being subject to a limited number of financial risks, principally credit risk, as the Group has financial assets receivable from third parties. Management of financial risks focuses on reducing the likely impact of risks to a level that is considered acceptable. The Group has formal principles for overall risk management, as well as specific procedures to manage individual risks.

1) Interest rate risk arises from borrowings issued at floating rates, including those linked to SONIA and the Retail Price Index (RPI), that expose the Group's cash flows to changes in SONIA and RPI. Risks of increases in SONIA are managed by limiting the value and proportion of Group borrowings that are linked to this variable rate and by entering an appropriate value of floating to fixed interest rate swap contracts. Risks associated with increases in RPI are effectively managed by hedging against the revenues and the Regulatory Asset Value of South Staffs Water, both of which are also linked to RPI.
2) Credit risk - As is market practice, the Group grants certain customers credit on amounts due for the services it supplies, leading to limited risk over the recovery of amounts receivable from these customers. Full details of the way this risk is managed are provided below. Credit risk also includes the risk over recovery of loans receivable. This risk is managed by ensuring that loans are only made to entities with sufficient financial resources to service the interest due on the loans. The total carrying value of financial assets subject to credit risk, net of provisions, at 31 March 2023 was £145,803,000 (2022: £107,793,000).
3) Liquidity risk represents the risk of the Group having insufficient liquid resources to meet its obligations as they fall due. The Group manages this risk by regularly monitoring the maturity of credit facilities, actual and forecast cash flows and ensuring that the payment of its obligations is matched with cash inflows and availability of free cash and adequate credit facilities.

Security over assets

Obligations under finance leases and hire purchase contracts are secured on the assets to which they relate. Index-linked debt, debenture stock and bank debt issued by South Staffordshire Water PLC, are not secured on any assets. The Company's bank loans and its private placement loan notes are secured against the shares of the Company and certain subsidiaries. SSW Finance Limited's Private Placement Notes are secured by charges over the shares in South Staffordshire Water Plc

Sensitivity analysis

The following analysis is intended to illustrate the sensitivity to reasonably possible movements in variables affecting financial liabilities being SONIA and the long-term forecast for the UK Retail Price Index (RPI) on the pre-tax profit and loss account of the Group during the year. There is no impact on reserves other than the impact on the profit and loss account after tax.

27.Financial assets and liabilities (continued)

	2023 £'000	2022 £'000
RPI + 0.25%	(691)	(654)
RPI - 0.25%	678	654
SONIA + 1.00%	(418)	(836)
SONIA - 1.00%	382	836

The Group has entered into interest rate swaps under which it has been agreed to exchange the difference between fixed and floating interest rate amounts calculated on agreed notional principal amounts. Such contracts enable the company to mitigate the risk of changing interest rates on future cash flow exposures arising from issued variable rate debt. The interest rate swaps have been accounted for as cash flow hedges with movements in the fair value of these swaps being recognised in the other comprehensive income and accumulated in the hedging reserve. Details of interest rate swaps are summarised below

Period to maturity

	Interest rate fixed		Nominal principal amount		Fair value	
	2023 %	2022 %	2023 £'000	2022 £'000	2023 £'000	2022 £'000
5-10 years	2.14	2.14	30,000	30,000	(1,608)	56

Maturity of financial assets of liabilities

The maturity profile of the Group's financial liabilities recorded at book value, is as follows:

	2023 £'000	2022 £'000
Borrowings		
In one year or less, or on demand	28,316	31,541
In more than one year, but not more than two	-	50,080
In more than two years, but not more than five	69,275	162,014
In more than five years, but not more than twenty	262,316	93,000
In more than twenty years	269,515	222,568
	629,422	559,203
Other financial liabilities		
In one year or less, or on demand	153,892	112,285
In more than one year, but not more than two	3,336	10,150
In more than two years, but not more than five	7,043	5,447
In more than five years, but not more than twenty	6,174	2,402
In more than twenty years	-	-
	799,866	689,487

27. Financial assets and liabilities (continued)

The table above excludes future interest payments and future indexation on financial liabilities. Index-linked borrowings of £257,739 (2022: £ 229,614,000) included in the table above are stated at the principal amount indexed by the appropriate RPI value to the balance sheet date. The estimated redemption value of index-linked borrowings at redemption in 2045 is £368,355,000 (2022: £358,265,000) and at redemption in 2051 is £118,051,000 (2022: £118,379,000)

Group debtors

Group debtors recoverable in more than one year of £73,145,000 (2022: £61,879,000) principally represent loans receivable from the Company's parent undertakings of £69,928,000 (2022 restated: £69,012,000) with no fixed repayment date and £6,517,000 receivable from the joint venture (2022: £6,517,000).

Trade debtors

Before accepting orders from certain customers and offering credit terms, the Group undertakes appropriate credit assessments and uses this information to determine if order is accepted and the credit terms that will be offered. Provision is made within the trade debtor values detailed below, based on judgment by senior management, for amounts considered to be unrecoverable due either to their nature or age. Due to the varying nature of the Group's businesses, there is no single method that is applied to all trade debtors. This would not be considered appropriate with the methods applied being considered appropriate to each business. The total amount charged to the profit and loss account in the year ended 31 March 2023 in respect of such provisions was £3,714,000 (2022: £4,516,000). Total Group trade debtors (net of provisions) as at 31 March 2023 were £69,168,000 (2022: £45,550,000). The Directors consider that debtors that are neither past due nor impaired are of a high quality and were considered, at the balance sheet date, to be fully recoverable at their gross book value. The Directors consider that the concentration of credit risk across the Group is limited due to the Group's customer base being significant. The largest balance outstanding from any external party at 31 March 2023 was £1,067,012 (2022: £1,182,000), representing 2% (2022: 3%) of the above Group net trade debtor total. Individually significant debtors are principally due from customers with investment grade credit ratings including utilities, government agencies and local authorities.

An ageing analysis of invoiced trade debtors that are past due but not impaired is provided below:

South Staffs Water	< 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	5 years +	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2023	12,534	2,260	1,613	126	399	344	17,276
2022	6,771	2,256	531	486	326	185	10,555

South Staffs Water	< 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	5 years +	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2023	12,534	2,260	1,613	126	399	344	17,276
2022	6,771	2,256	531	486	326	185	10,555

27. Financial assets and liabilities (continued)

Non-Regulated company debtors that are considered to be impaired are £544,005 (2022: £4,196,000) and are all more than 2 months past due. An ageing analysis of debtors of South Staffs Water that are considered to be impaired is provided below:

	< 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	5 years +	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2023	3,347	4,315	4,102	4,250	4,343	15,057	35,414
2022 restated	4,438	4,402	3,951	4,623	3,699	11,259	32,372

The Directors consider that the carrying value of trade and other debtors including loans receivable, net of provisions, detailed in note 17 approximates to their fair value.

28. Pension retirement benefits

Group

Surplus of defined benefit pension scheme	£'000
At 1 April 2022	54,536
Section expenses	(753)
Net finance income	1,541
Actuarial loss (net)	(53,450)
Surplus at 31 March 2023	1,874

Company

Surplus of defined benefit pension scheme	£'000
At 1 April 2022	42,531
Section expenses	(561)
Net finance income	1,191
Actuarial loss (net)	(42,215)
Surplus at 31 March 2023	946

The Group operates three funded pension schemes for the benefit of its employees. The Group participates in the Water Companies Pension Scheme, by way of two separate sections, which provide benefits based on pensionable pay at certain points in time (indexed as appropriate). At 31 March 2023, both of these sections had ceased future accrual of benefits with the South Staffordshire section ceasing future accrual from 1 April 2015 and the Cambridge section from 31 December 2010. In the 2018 financial year the Group acquired a further defined benefit pension scheme as part of the acquisition of G Stow Plc which is also closed to new entrants and had ceased accrual of benefits prior to acquisition. The Group also operates three defined contribution pension schemes. The assets of all these schemes are held separately from those of the Group, being invested by professional fund managers.

28.Pension retirement benefits (continued)

Details of the accounting policy for pension schemes are provided in note 1. As both of the sections of the Water Companies Pension defined benefit scheme are closed to future benefit accrual, from 1 April 2015 only funding deficit contributions have been paid into the Scheme (with these being £nil in the year ended 31 March 2023 and £nil in the year ended 31 March 2022) with these contributions paid increasing the assets of the sections. No current service contributions are now paid and with effect from 1 April 2015 there is no current service cost charge to the profit and loss account. A pension asset has been fully recognised for both sections at both 31 March 2023 and 31 March 2022 as the Group would benefit from a refund of any surplus assets following a complete run-off of the scheme (i.e. following the final benefit payment from the scheme). There were no overdue contributions at either year-end.

The G Stow Plc defined benefit scheme is closed to future benefit accrual, from 22 June 2017 only funding deficit contributions have been paid into the Scheme (with these being £nil in the year ended 31 March 2023 and £nil in the year ended 31 March 2022) with these contributions paid increasing the assets of the sections. No current service contributions are now paid and with effect from 1 April 2015 there is no current service cost charge to the profit and loss account.

Additional disclosures regarding the Group's defined benefit pension schemes are required under provisions of FRS 102. Valuations each year are undertaken by a qualified actuary using assumptions that are consistent with the requirements of FRS 102. The market value of investments has been calculated using the bid price.

The major assumptions used were as follows:

	31 March 2023	31 March 2022
Rate of increase in pensions	3.0%	3.0%
Discount rate	4.8%	2.8%
Annual inflation RPI	3.6%	4.0%
Annual inflation CPI	3.1%	3.5%

	31 March 2023 No. of Years	31 March 2022 No. of Years
Life expectancy of male aged 60 at accounting date	26.1	26.1
Life expectancy of female aged 60 at accounting date	29.1	29.1

28. Pension retirement benefits (continued)

The market value of the assets in the Group's schemes and the present value of these schemes' liabilities at the balance sheet date were:

Valuation

	2023 %	2023 £'000	2022 %	2022 £'000
Equities	1%	949	23%	61,696
Bonds/gilts and debt instruments	8%	12,586	38%	104,984
Diversidied growth funds				-
Other	91%	147,381	38%	105,159
Cash	1%	1,556	1%	2,007
Market value of scheme assets		162,472		273,846
Present value of scheme liabilities		(160,597)		(219,308)
Surplus before deferred tax (note 22)		1,875		54,538
Related deferred tax liability				(13,635)
Surplus after deferred tax		1,875		40,903

The market value of the assets in the Company's schemes and the present value of these schemes' liabilities at the balance sheet date were:

Valuation

	2023 %	**2023 £'000**	**2022 %**	**2022 £'000**
Equities	0%	-	23%	47,824
Bonds/gilts and debt instruments	5%	7,579	38%	80,021
Diversidied growth funds				-
Other	73%	117,958	38%	83,425
Cash	1%	1,148	1%	1,204
Market value of scheme assets		126,685		212,474
Present value of scheme liabilities		(125,739)		(169,942)
Surplus before deferred tax (note 22)		946		42,532
Related deferred tax liability				(10,633)
Surplus after deferred tax		946		31,899

During the year the South Staffs Water and Cambridge Water Sections of the Water Companies Pension Scheme, together with the other three section of the Scheme, changed their investment strategies to invest in an insurance policy with Just PLC , which is structured to meet the Scheme's future liabilities. This transaction, often referred to as an Insurance Buy-In, completed on the 31 March 23. Consequently the sections' assets at the year-end mainly comprised the insurance policy.

28.Pension retirement benefits (continued)

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

	2023	2022
	£'000	£'000
Opening present value of schemes' liabilities	219,308	236,175
Interest cost	5,940	4,576
Actuarial (gain) / loss	(51,882)	(6,134)
Benefits paid	(12,769)	(15,309)
Closing present value of schemes' liabilities	160,597	219,308

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

	2023	2022
	£'000	£'000
Opening present value of schemes' liabilities	169,943	183,586
Interest cost	4,637	3,548
Actuarial (gain) / loss	(40,109)	(4,717)
Benefits paid	(8,732)	(12,475)
Closing present value of schemes' liabilities	125,739	169,942

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

	2023	2022
	£'000	£'000
Opening market value of schemes' assets	273,846	282,447
Interest on scheme assets	6,728	4,873
Actuarial (loss) / gain	(2,794)	(553)
Actual return on plan assets less interest income	(102,538)	2,388
Benefits paid	(12,769)	(15,309)
Closing market value of the scheme assets	162,473	273,846

The total return on assets of the Group’s schemes over the year to 31 March 2023 was a loss of £98,666,000 (2022: loss of £8,601,000).

28.Pension retirement benefits (continued)

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

	2023 £'000	2022 £'000
Opening market value of schemes' assets	212,474	218,875
Interest on scheme assets	5,267	3,789
Actual return on plan assets less interest income	(82,324)	2,285
Benefits paid	(8,732)	(12,475)
Closing market value of the scheme assets	126,685	212,474

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

	2023 £'000 Increase	2022 £'000 Increase
Discount rate		
Effect of a 0.1% pa change	(1,700)	3,591
Inflation		
Effect of a 0.1% pa change	1,600	(3,018)
Life expectancy		
Effect of a one year change	6,900	5,800

The amount charged to the consolidated profit and loss account for the defined contribution schemes in the year was £3,077,000 (2022: £2,743,000).

29.Acquisitions

On 31 January 2023 the Company acquired 92.5 per cent of the issued share capital of The Gateway Group of Companies Holdings Limited, The Gateway Group of Companies Limited and Infrastructure Gateway Limited, a company whose primary activity is the connection of utilities in construction. The consideration for the transaction comprised cash consideration of £21,988,000 was fixed consideration and has been paid in the year, and the remaining consideration is contingent on the future EBITDA performance of the business (see further details below).

The acquisition has been accounted for under the acquisition method. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group:

29. Acquisitions (continued)

	Total £'000
Consideration:	
Cash consideration	21,988
Contingent consideration	14,121
Costs of the combination	696
Total consideration	36,805
Net assets at date of acquisition:	
Fixed assets	
Tangible	139
Current assets	
Stocks	748
Debtors	15,305
Cash	3,523
Total assets	19,715
Creditors	
Creditors and provisions	24,711
Total liabilities	24,711
Net liabilities	- 4,996
Non-controlling interest	- 375
Goodwill	41,426

The company has acquired a trading business that's principal activity is the connection of utilities in construction. The goodwill acquired from this acquisition builds on the expansion of the group and acquiring an established business that has an established customer base to build on top of the existing businesses.

The directors do not consider there to be a difference between the fair value and book value of net assets as at the date of acquisition.

Turnover post-acquisition to 31 March 2023 was £4,256,000 generating an operating profit of £688,000.

The contingent consideration is based upon the adjusted EBITDA of the acquired group at three different points in the future, these being December 2023, then the period to March 2024 and lastly the year end March 2024. The company has a call option on the remaining 7.5% of the business that is available at the March 2026 year end. The call option will also be based upon the adjusted EBITDA

30. Related party transactions

Historical agreements were put in place with a holding company in the Group structure to offset the impact on South Staffs Water PLC, a wholly owned subsidiary within South Staffordshire PLC group, of certain hedging relationships entered into with a third-party bank, on both cash flow and the profit and loss account. The balance due from Selena Bidco Limited, the ultimate parent company registered in Jersey, in respect of these transactions at 31 March 2023 was £2,804,000 (2022: £3,018,000). In accordance with applicable accounting standards, the impact of both arrangements on the profit and loss account has been netted off with no overall impact. This agreement is non-interest bearing.

During the year South Staffordshire Water PLC provided Wholesale water services to the retailer Pennon Water Services Limited, a 20% minority interest, and its subsidiary SSWB Limited and turnover of £17,726,000 (2022: £17,771,000) in relation these transactions was recognised and £17,000 outstanding at the year-end (2022: £27,000). The receivable is due in 30 days from invoice date. Also at 31 March 2023, an amount of £2,000 was payable to PWSL for cash collected during the year that has not been paid over (2022: £284,000).

The Group has an outstanding interest-bearing loan balance due from Pennon Water Services Limited of £6,517,000 (2022: £6,517,000) which remained outstanding at 31 March 2023. The loan balance has an applicable interest rate of 5% per annum for 50% of the drawing and 3% + 12-month SONIA for the remaining 50% of the drawing.

Remuneration for key personnel is reported in the remuneration committee review section above.

31. Post balance sheet events

There are no post balance sheet events to note.

32. Ultimate controlling party

The Company's immediate parent undertaking is Aquainvest Acquisitions Limited. During the year the ultimate parent company in the United Kingdom was Hydriades IV Limited, registered in England and Wales, which was the largest and smallest UK group preparing consolidated accounts that include South Staffordshire Plc at 31 March 2023. The consolidated accounts for Hydriades IV Limited can be obtained from the Company's registered office, Green Lane, Walsall, West Midlands, WS2 7PD.

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

33.Prior period restatement

During the year, the Group performed a one-off review of its household customer base and identified 20,000 predominantly unmeasured properties where the last recorded contact was more than two years ago. It was noted that the lack of contact may imply the incorrect occupants at the property, or property was empty and should be cateogrised as "void". The Credit Reference Agency review confirmed, of the 20,000 initial population, a total of 4,904 properties were subsequently confirmed to be unoccupied so moved to void status, resulting in a cumulative £3.9m reduction to household turnover and £1.0m reduction in bad debt charge, which also resulted in a tax impact of £0.7m.

As these properties had not previously identified as void, in prior years bills had been issued and revenue continued to be recognised. As the properties are now known to have been vacant, this revenue should not have been recognised and a prior year adjustment has been calculated. Making this adjustment also had an effect in reducing the bad debt provision.

As well as this, Group identified that the amounts transferred to profit and loss from the revaluation reserve had been overstated by £1.6m. The amount transferred had not taken into account the reversal of uplift on the revaluation booked on asset transfer in 2014. As well as this, the impact of the deferred tax rate change from 19% to 25% was not taken into account. This has resulted in a restatement of £1.6m to the prior year revaluation reserve.

The effect of this on the profit and loss account is as follows.

	Previously Reported £'000	Restated £'000	Restatement £'000
Turnover	281,889	281,200	(689)
Operating costs	(255,108)	(255,108)	-
Other operating income	7,425	7,425	-
Income from associated undertakings	516	516	-
Goodwill impairment	(6,124)	(6,124)	-
Exception items	-	-	-
Finance charges (net)	(20,264)	(20,264)	-
Profit before taxation	8,334	7,645	(689)
Taxation on profit	(19,188)	(19,016)	172
(Loss) after taxation	(10,854)	(11,371)	(517)
Less profit after tax on non-controlling interests	(61)	(61)	-
(Loss) for the financial year	(10,915)	(11,432)	(517)

33. Prior period restatement (continued)

The effect of this on the balance sheet is as follows.

	Previously Reported £'000	Restated £'000	Restatement £'000
Debtors - amounts recoverable within one year	70,148	67,229	(2,919)
Net current asset	91,396	88,477	(2,919)
Total assets less current liabilities	817,013	814,094	(2,919)
Provisions	(80,806)	(80,076)	730
Net assets	27,983	25,794	(2,189)
			-
Capital and reserves			-
Profit and loss account	548	(3,256)	(3,804)
Revaluation reserve	14,248	15,863	1,615
			-
Shareholders' funds	27,716	25,527	(2,189)
Non-controlling interest	267	267	-
Total capital employed	27,983	25,794	(2,189)

The effect of this on the cash flow statement is as follows.

(a) Reconciliation of operating profit to net cash inflow from operating activities	**£'000**	**Previously Report £'000**	**£'000**	**Restated £'000**
Total operating profit		28,598		29,115
Depreciation	31,360		31,360	
Amortisation of goodwill	2,867		2,867	
Impairment of goodwill	6,124		6,124	
Amortisation of intangible assets	778		778	
Amortisation of capital contributions	(3,356)		(3,356)	
Share of joint venture operating loss / (profit)	(516)		(516)	
Loss/(profit) on disposal of fixed assets	830		830	
Capital contributions received	8,728		8,728	
		46,815		46,815
Decrease in stocks	(94)		(94)	
Increase in debtors	3,878		6,797	
Decrease in creditors	7,164		7,164	
		10,948		13,867
Cash inflow from operating activities		86,361		89,797
Corporation tax paid		(95)		(95)
Net cash inflow from operating activities		86,266		89,702

South Staffordshire Plc

South-Staffordshire.com | **groupsec@south-staffordshire.com** | **01922 638 282**

South Staffordshire Plc, Green Lane, Walsall, West Midlands, WS2 7PD.