Financial review

Strategic Report

The Directors present their Strategic Report as a Consolidated Strategic Report for the year ended 31 March 2026.

Principal activities

The principal activity of South Staffordshire Limited ("the Company") and its subsidiaries is a water business that provides water collection treatment and supply under its regulated water business and has a range of non-regulated businesses that serve the water and adjacent sectors such as water, waste and infrastructure, compliance, service and software, commercial water production and distribution, and utility network design and installation.

Measuring our performance review

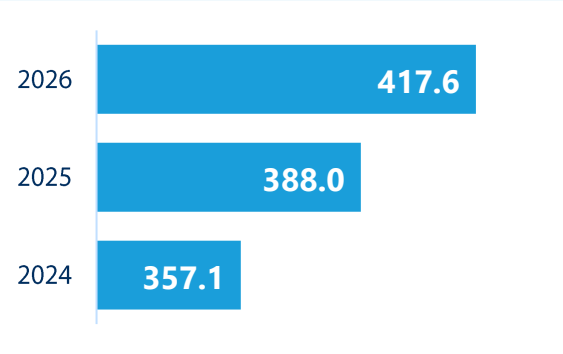
The Board monitors the Group's performance using both Financial and Non-financial KPIs, some of which are highlighted below.

Financial KPIs

Non-financial KPIs

Turnover

This represents total turnover per the Consolidated Profit and Loss Account.

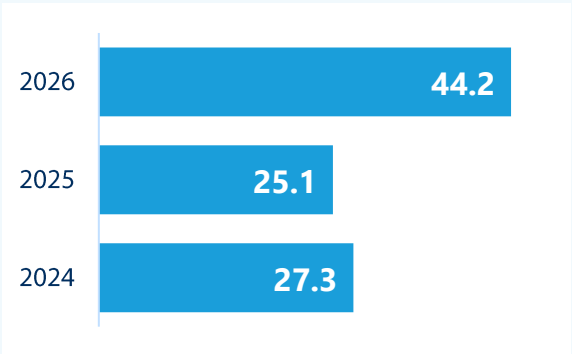


Performance

The Group delivered another year of revenue growth, supported by the resilience of its regulated activities and sustained demand across its core markets.

Operating profit

This represents Group operating profit, which is before exceptional items and income from associated undertakings.



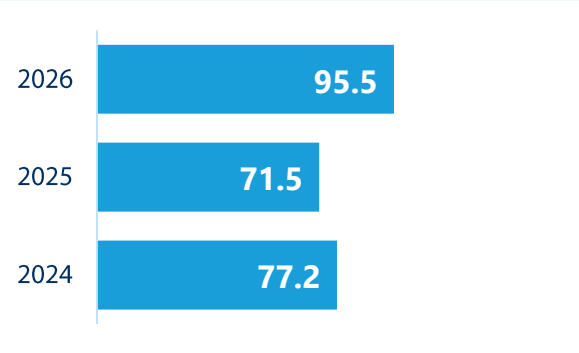
Performance

The significant improvement reflects stronger underlying trading performance across the Group together with continued focus on operational efficiency and cost control.

Strategic Report (continued)

EBITDA (before infrastructure renewals)

This represents total Group EBITDA, a reconciliation of which, is provided on page 56.

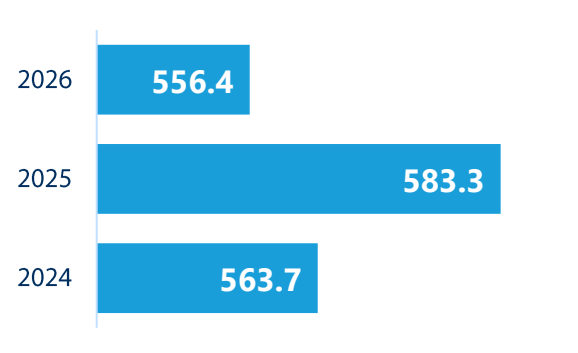


Performance

EBITDA growth demonstrates the Group's ability to convert revenue growth into improved underlying operating performance and cash generation.

Net debt

This represents net debt for borrowing covenant purposes.

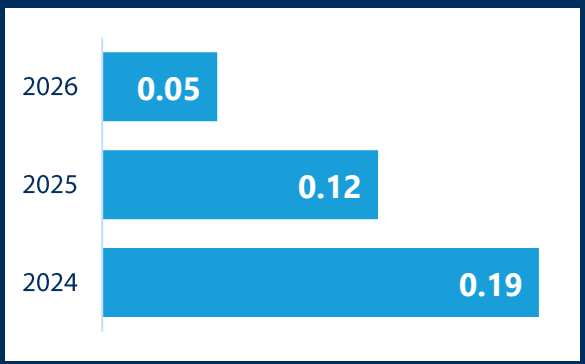


Performance

Net debt for borrowing covenant purposes has reduced during the year by £26.9m. The reduction in net debt reflects strong cash generation and disciplined working capital management, strengthening the Group's financial resilience.

Health and safety

High Potential Events ("HiPos")

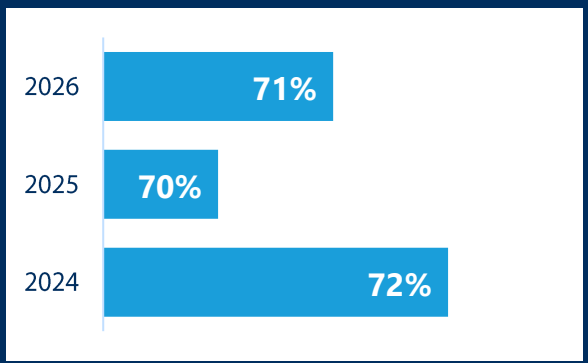


Performance

HiPo's are events that had the potential to result in a fatal or life altering injury, regardless of the actual outcome. The continued reduction in HiPo's over recent years reflects the Group's ongoing commitment to embedding a critical risk management approach and controlling serious workplace risks.

Employee engagement

The percentage of our workforce who feel positively engaged with our Group



Performance

Employee engagement remained strong during the year. Feedback from our employees continues to inform actions aimed at strengthening communication, development and the overall employee experience.

Strategic Report (continued)

Financial review

Financial performance

The Group has delivered a strong set of results during 2026. Turnover and profitability increased whilst our Balance Sheet was strengthened by good cost control and a robust focus on driving Working Capital improvements across the Group. Group cash flow from operating activities increased by £52.5m to £102.2m (2025: £49.7m) and our net debt fell by £28.7m to £576.3m (2025: £605.0m) as we deleveraged following the sale of one of IWS Water Hygiene in March 2026. Successful refinancing was also undertaken during the year to replace expiring term loans with longer dated loans, further improving the financial resilience of the Group.

Turnover was £417.6m (2025: £388.0m restated), up 7.6%. Turnover in our regulated water business grew by £42m, driven predominantly by an increase in regulated tariffs from the PR24 final determination, higher water consumption, alongside a CPIH uplift of 3.5%. Turnover in our non-regulated business decreased compared to the prior year at £222.3m (2025: £234.7m restated). Whilst a number of businesses, including AES, Hydrosave, Echo and Omega Red, delivered improved trading performance during the year, this was offset by weaker results within IGL and certain OnSite operations, reflecting softer market conditions and operational challenges in those sectors.

Group Operating profit was £44.2m (2025: £25.1m), up 76.3%, with operating margins improving to 10.6% (2025: 6.5%). Alongside the increased turnover noted above, our costs have increased compared with the prior year, largely driven by a higher depreciation charge in our regulated water business, as we deliver a significantly larger capital investment programme, alongside increased spend on our network repairs and maintenance activity. In addition, we have experienced inflationary cost increases in energy across the Group. The increase in operating margin reflects the benefits of revenue growth within our regulated water business, together with continued focus on cost management and operational efficiency across the Group

Profit before tax was £31.8m (2025: £9.5m loss), an increase of £41.3m. This increase is predominantly due to the sale of IWS Water Hygiene, whereby the Group has recognised a profit on disposal of £22.2m, offset by higher interest costs. Interest costs were higher in the year, predominantly driven by an increase in the Group's index-linked debt costs, as well as the fact the Group refinanced some of its external debt during the year.

EBITDA of £95.5m, reconciliation below, was £24.0m higher than the previous year (2025: £71.5m). This is predominantly due to the increase in operating profit after exceptional items.

Strategic Report (continued)

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

	2026 £'000	2025 £'000
Operating profit before exceptional items*	45,010	25,875
Exceptional items (Note 8)	-	(5,647)
Depreciation	38,349	33,932
Infrastructure renewals	7,613	10,660
Amortisation of goodwill	7,040	7,655
Tangible asset impairment	32	454
Amortisation of intangible assets	2,105	2,012
Amortisation of capital contributions	(4,683)	(3,474)
EBITDA (before infrastructure renewals)	95,466	71,467

** Including income from associated undertakings*

Cash flow and dividends

The Group continues to place significant emphasis on its cash flow. Group cash flow from operating activities was £102.2m (2025: £49.7m). The increase is predominantly due to higher operating profits and more favourable working capital movements. Overall gross capital expenditure for the year was £83.5m (2025: £52.2m). Overall net capital expenditure, net of contributions, was £74.1m (2025: £44.6m).

Within the regulated water business, we have successfully delivered against our year 1 plan, ensuring our assets remain in good condition and continue to provide resilient supplies of high -quality, clean drinking water to our customers. We have delivered above and beyond target on our two largest investment programmes; universal metering and mains renewal. The significance of our mains renewal programme for AMP8 demonstrates increased enhancement in our network and is recognised as capital investment. We have delivered our Maple Brook treatment works ultraviolet (UV) installation ahead of target, providing us with additional treatment resilience in our South Staffs region.

Included within the cash inflow for the year is £24.5m of net cash proceeds in relation to the sale of IWS Water Hygiene. The Group utilised this cash to repay £24.5m of external borrowings, with the excess being used to settle outstanding interest.

Strategic Report (continued)

Financing, net debt and liquidity

The main purpose of our financial instruments, including derivatives, is to finance our operations and limit risk from fluctuations in external indices outside our control. This includes entering floating to fixed interest rate swaps, where this is considered appropriate. The floating to fixed rate interest rate swaps designated as cash flow hedge ended as at 31 December 2025. During the reporting year and the prior year, our policy has been not to carry out any trading in financial instruments. Our policy in relation to cash, loans receivable and borrowings is to maintain flexibility with both fixed and floating rates of interest, and long- and short-term borrowings. The Group's current principal financing facilities are included in Note 20 of the Accounts.

During the year the Group undertook a number of refinancing activities. On 30 April 2025, South Staffordshire Limited entered into an agreement with Rivage Euro Debt Infrastructure for a £40m term loan at a fixed rate of 8.32% maturing 19 December 2031. The Group utilised this cash to settle £39m of existing debt. On 12 August 2025, SSW Finance Limited successfully agreed to re-finance the previous Metlife £43m series A and Metlife £30m series B notes due for repayment in January 26 and replaced them with a combined £80m term loan split equally between MetLife and PacLife. On the 21 October 2025 the Series A & B Notes were paid from the proceeds of new £40m 6.53% Series D Notes maturing 21 October 2028 and £40m 6.79% Series E Notes maturing 21 December 2030.

Net debt as reported at the end of the year amounted to £576.3m (31 March 2025: £605.0m), a reduction of £28.7m, predominantly reflecting an increase in the Group's cash at bank and in hand. Our balance sheet on 31 March 2026 showed cash at bank and in hand of £84.6m (2025: £67.3m). The increase in cash balances during the year principally reflects strong operating cash generation and continued focus on working capital management, together with the net impact of disposal and refinancing activities undertaken during the year.

Strategic Report (continued)

Principal risks and uncertainties

The Group operates across a range of regulated and commercial markets and is therefore exposed to a variety of strategic, operational, financial, regulatory and people-related risks. The Board is responsible for overseeing the Group's risk management framework and regularly reviews the principal risks and uncertainties that could affect the achievement of the Group's strategic objectives, future performance, financial position or reputation.

The Directors believe that the Group's principal risks remain appropriately identified, monitored and managed through established governance, internal control and assurance processes. The table below summarises the risks considered by the Board to be of greatest significance during the year, together with the potential impacts and key mitigating actions in place.

Risk	Risk causes and triggers	How are we mitigating this risk
Health and safety	The Group operates across infrastructure, engineering and field-based environments where failures in processes, controls or behaviours could result in injury, operational disruption, regulatory action or reputational damage.	Group-wide health and safety frameworks, leadership oversight, employee training, incident reporting processes and continuous improvement initiatives support the effective management of health and safety risks.
Financing our business and financial resilience	Adverse economic conditions, inflationary pressures, increased financing costs, reduced profitability or restricted access to funding could affect the Group's ability to invest, remain financially resilient and deliver its strategic objectives.	Robust treasury management, forecasting and stress testing processes, covenant monitoring and active Board oversight support the Group's financial resilience and long-term funding requirements.
Legal and regulatory compliance	The Group operates across multiple regulated sectors and is subject to evolving legal, regulatory and licence obligations. Failure to comply could result in fines, litigation, operational restrictions or reputational damage	Compliance frameworks, regulatory monitoring, specialist legal support and periodic reviews of compliance obligations support adherence to legal, regulatory and licence requirements.
Technology, Cyber Security and Systems Effectiveness	Reliance on technology and digital systems exposes the Group to cyber threats, system failures, data loss and operational disruption, which could adversely impact business performance and reputation.	Cyber security controls, system monitoring, employee awareness training, infrastructure investment and business continuity arrangements help protect the Group and support operational resilience.
Asset health	The Group relies on critical assets and infrastructure to deliver services to customers and clients. Asset deterioration, failure or under-performance of critical infrastructure and operational assets could affect service delivery, operational efficiency and long-term resilience.	Risk-based asset management programmes, preventative maintenance, condition monitoring, capital investment and long-term asset planning support the health and resilience of critical assets.

Strategic Report (continued)

Risk	Risk causes and triggers	How are we mitigating this risk
Contract & programme delivery	Failure to successfully deliver contracts, projects or major investment programmes could result in operational disruption, reduced profitability, customer dissatisfaction and reputational damage.	Project governance, commercial review processes, delivery performance monitoring and proactive management of contractual exposures support successful project and programme delivery.
Supply chain and procurement	Supplier failure, cost inflation, resource constraints or disruption in the supply chain could affect the Group's ability to deliver services and investment programmes efficiently.	Strategic supplier management, supplier due diligence, framework agreements and ongoing supply chain monitoring support procurement resilience and continuity of service delivery.
Environment	Climate change, environmental incidents and evolving environmental obligations could adversely impact operational performance, regulatory compliance, reputation and stakeholder confidence. Both customers and regulators continue to place increasing focus on environmental performance.	Environmental management processes, sustainability initiatives, compliance monitoring and engagement with regulators and stakeholders support the Group's environmental performance and resilience.
People	Failure to attract, retain and develop appropriately skilled people could impact operational performance, succession planning and delivery of the Group's strategic objectives	Employee engagement, leadership development, succession planning, apprenticeships and competitive reward programmes support attraction and retention of key talent.
Regulated Water Business Performance, Compliance and Resilience	The regulated water business is exposed to risks relating to service delivery, asset performance, water quality, water resource availability and customer service and affordability. Failure to meet regulatory or customer expectations could adversely affect financial performance and reputation.	Targeted investment in AMP8 programmes, regulatory oversight, operational performance monitoring and customer support initiatives help maintain resilience and service performance.

Strategic Report (continued)

Going concern

The Directors consider it is appropriate to prepare the financial statements on a going concern basis.

In order to assess the Group's liquidity requirements and trading prospects a detailed business planning process is completed for review by the Board. This reassesses its long-term strategic objectives and operational plans and the key business issues that the Group faces both now and those anticipated in the future and how the Group proposes to address these issues.

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

As part of this business planning process, the Group has assessed its future prospects and, as part of this assessment, has prepared operational forecasts including expectations of its performance in important operational matters. The Group has then prepared consolidated financial forecasts, which reflect the stated strategic objectives and operational plans, and include but are not limited to trading forecasts with turnover, operating and capital maintenance costs along with cash flow projections including operating cash flows, the planned investment programme, tax and finance related cash flows. The level of net debt is also projected through the period and is compared to the level of gearing as permitted in the Group's borrowing covenants as is its interest cover.

From this business planning, the Directors have used the forecasts up to 30 September 2027 for its going concern assessment, the going concern period.

South Staffordshire Water Plc

The Directors of SSW concluded that at the date of signing SSW's Annual Report and Accounts on 3 July 2026 that the most appropriate going concern period for SSW was to reflect the high degree of certainty within the five-year price review period ending on 31 March 2030 and to look forward for twelve months from signing to 31 July 2027.

The Group's going concern assessment includes an updated forecast for SSW to 30 September 2027 and is based on the final determination approved by Ofwat for the five years from 2025 to 2030. This provides a high degree of confidence over SSW's revenue during the assessment period, including SSW's ability to index customer bills to annual CPIH inflation. In addition, SSW has a high degree of confidence regarding approved capital expenditure and infrastructure renewal programme costs, with delivery through established contractor frameworks.

On 15 August 2022 South Staffordshire Limited 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. Since the incident, the Group has continued to respond to regulatory investigations and assess potential liabilities arising from civil claims associated with the breach of data. Advised by legal counsel, the Directors continue to review the risks and potential financial impact of these matters as investigations and claims progress.

In what the Directors consider to be a severe but plausible set of downside scenarios, SSW has sufficient financial headroom for the going concern period and complies with all borrowing covenants. The severe but plausible downside scenarios include reduced customer collections, potential liabilities and costs arising from the cyber-attack, significant increases in energy and chemical costs, together with consequential inflationary pressures and higher interest rates. The severe but plausible downside scenario assumes no further incremental debt facilities beyond the existing £100m revolving credit facility available to SSW.

A key assumption in the forecast and severe but plausible downside scenarios is the quantum and timing of future legal costs, liabilities and claims arising from the criminal cyber-attack and the effectiveness of the mitigating actions available to management.

Strategic Report (continued)

In Note 22 to the financial statements, the Directors of South Staffordshire Limited set out that the quantum and value of civil claims the Group may receive, together with the costs and liabilities that may be incurred in addressing those claims, involve significant judgement and uncertainty and therefore remain subject to change as the matters progress and the factual position becomes clearer.

Non-regulated Group

The Directors of South Staffordshire Limited have concluded that, for the non-regulated Group, a going concern period ending on 30 September 2027 is also appropriate given the nature of the engineering services businesses which do not have the certainty of regulated monopoly allowed revenues.

To assess the financial resilience of the non-regulated Group to possible changing circumstances, sensitivity analysis has been applied to these financial forecasts to assess the impact on profitability, cash flows, liquidity, borrowing capacity and compliance with borrowing covenants of severe but plausible adverse changes to important assumptions made within these base projections, including those that are outside of the control of the Group. They include an increase in operating costs (including those arising from principal risk events occurring, see principal risks section) and an increase in the level of inflation and interest rates. The Directors have selected these assumptions as they believe it is these that could most significantly impact on the going concern of the non-regulated Group and that could most materially deviate from the non-regulated Group's base assumptions over the longer term.

In addition to the downside scenarios assessed by SSW relating to legal costs and claims, South Staffordshire Limited has also included the potential for the need to settle further penalties from regulators arising from ongoing investigations.

The Directors consider that when taken together these severe but plausible downside risks represent a meaningful assessment of the robustness of the non-regulated Group. The Directors have further assessed what additional reduced trading levels would be required to reduce liquidity or result in a breach to Group borrowing financial covenants to a level that would imperil the ability of the Group to continue as a going concern and concluded that the likelihood of these further reductions is remote given the magnitude of the reductions that this would require.

Conclusion

Based on the business plan and associated sensitivity analysis detailed above, the Board of Directors has a reasonable expectation that the Group and Company will be able to continue in operation and meet its liabilities as they fall due over the period of the going concern assessment to 30 September 2027.

Strategic Report (continued)

Section 172(1) statement

In accordance with the Companies Act 2006 (the 'Act') (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the directors provide this statement describing how they have had regard to the matters set out in section 172(1) of the Act, when performing their duty to promote the success of the Company, under section 172.

The Board always aims to act in the best interests of the Company, and to be fair and balanced in its approach. The needs of different stakeholders are always considered as well as the consequences of any decision in the long-term and the importance of our internally published high standards of business conduct. More specific information is given in sub-paragraphs (a) to (f), which correspond to the individual factors disclosed under Section 172(1).

(a) Long-term decision making

The board maintains oversight of the Group's performance, and reserves to itself specific matters for approval. In addition to this, any major decisions with long-term implications, including significant new business initiatives, would need shareholder approval under the Company Articles of Association, to ensure that the business decisions taken locally are in alignment with the long-term strategy of the company. Any decisions approved either locally or by the shareholders, are then implemented, with subsequent board oversight to ensure these are in accordance with the agreed strategy.

(b) Stakeholders: Employees

Regular updates take place for employees of the Group including numerous channels, including workshops, executive roadshows, updates, training and development, monthly conduit e-newsletter, workplace and MiHub.

(c) Stakeholders: Customers, Suppliers, Others

The Group's customers have been given regular updates using a number of communication channels, including social media, local radio, regular meetings and website content. The Group has relationships with suppliers and partners which supports the business needs. Supplier engagement is disclosed in the Directors' report.

(d) Stakeholders: Community & Environment

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

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

(e) Reputation for high standards of business conduct

The Board is responsible for developing the corporate culture across the Group, which promotes integrity and transparency. The Group uses comprehensive systems of corporate governance and approves policies and procedures which promote corporate responsibility and ethical behaviour. Central to these policies is the Code of Conduct. This applies to all directors and employees and is embedded into the Group's operations.

(f) Acting fairly as between members of the Group

The Board aims to understand the views of its shareholder and always to act in their best interests. In order to do this, the Board works closely with the principal shareholder on a very regular basis to ensure operations, strategy and performance are aligned with the long-term objectives of the shareholders, while complying with the Articles of Association of the Company.

Strategic Report (continued)

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

Signed by:
Charley Maher
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Ms C Maher
Group Chief Executive Officer
Date: 29 September 2026

Governance

Directors' Report

The Directors have the pleasure in submitting their annual report and audited financial statements for the year ended 31 March 2026. In preparing this Directors' Report, the Directors have complied with S414C(11) of the Companies Act 2006 by including certain disclosures required by S416(4) within the Strategic Report.

Directors

The Directors are pleased to present their annual report, together with the audited Group financial statements, for the year ended 31 March 2026.

- Mr S Johnson
- Mr P Antolik (resigned 31 December 2025)
- Mr T Harris (resigned 31 December 2025)
- Ms C Maher
- Mr M Nahorny
- Mr M Horn (appointed 3 November 2025)
- Ms S Vaughan (appointed 16 April 2026)
- Mr J Leigh (appointed 8 June 2026)

Results and dividends

The Group's results for the year are set out in the consolidated profit and loss statement.

No dividends were paid or proposed during the year (2025: £nil).

On 10 July 2026, the directors approved a dividend of £10.0m which was paid on 10 July 2026. As this event occurred after the reporting date and does not relate to conditions existing at that date, it has not been recognised in the financial statements for the year ended 31 March 2026.

Future developments

The Group enters the second year of AMP8 with a strong operational and financial platform from which to deliver its long-term strategy. Over the period to 2030, the Group will continue to focus on delivering its significant investment programme, improving resilience across its water supply network, enhancing customer service and supporting environmental improvements.

A key area of focus during 2026/27 will be the continued rollout of the universal metering programme and the expansion of the mains replacement programme across the Cambridge and South Staffs regions. These programmes are expected to support reductions in leakage, improve network resilience and help customers manage water consumption more effectively.

The Group expects to benefit from increasing levels of investment across critical infrastructure sectors, particularly within the water, rail, energy and related utility markets, driven by regulatory investment programmes, asset resilience requirements and long-term infrastructure renewal needs. Following the strategic realignment of its engineering activities and the disposal of certain non-core operations during the year, the Group will continue to focus on critical assets, infrastructure delivery and asset management. The Group will prioritise operational efficiency, disciplined contract delivery and selective growth in core markets.

Directors' Report (continued)

Streamlined Energy and Carbon Reporting Framework

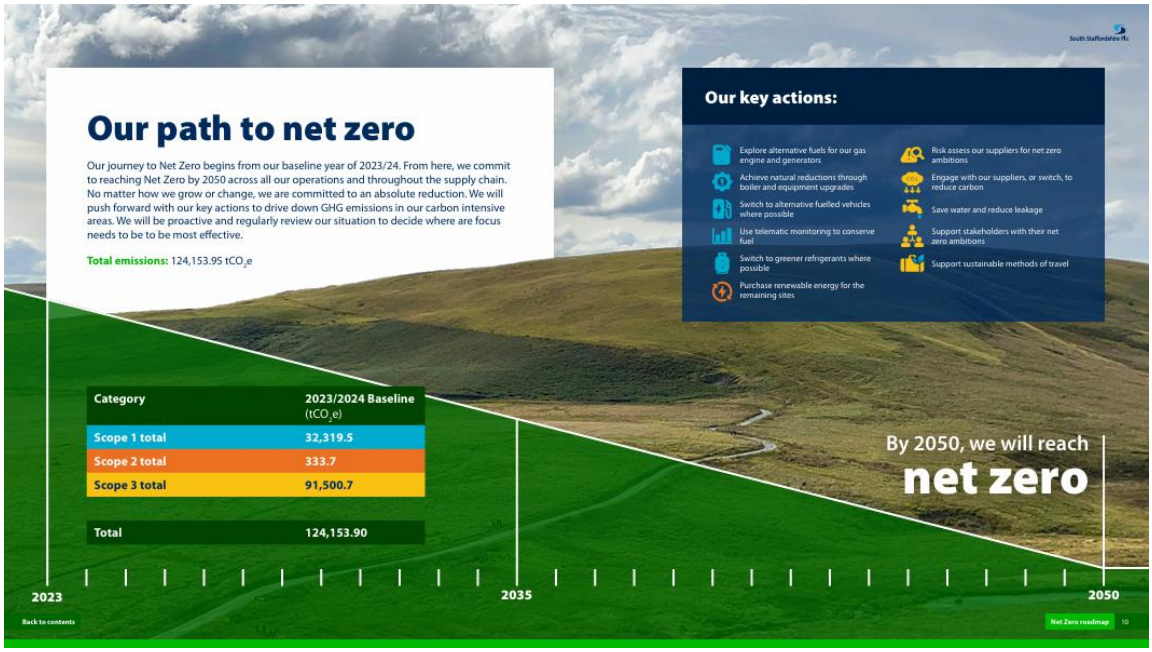
Environment, Social and Governance

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. To this aim there is a formal published ESG Strategy which includes our ambitions and sets out our focus in three core area, Our Planet, Our People and Our Partners.



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 roadshows, meetings and workplace internal communications.

The Group has a clear governance and oversight structure in place to ensure our aspirations are achieved. This has a Management Group, comprised of the Group's Executive Committee members and essential support service leads, and a Working Group of senior leaders from across the businesses. In the year the Group formally launched its Net Zero Roadmap, setting out the approach to achieving Net Zero by no later than 2050 for all group companies.



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

Directors' Report (continued)

Energy use and carbon emissions

Further to the Group's Net Zero Roadmap and aspirations to meet Net Zero no later than 2050, the UK water sector has made a commitment to achieve net zero carbon emissions by 2030. This goal forms part of Water UK's Public Interest Commitment, which sets out five stretching social and environmental ambitions that each of the water companies is contributing towards.

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

Methodology

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

A full Group wide GHG inventory was established in the year using 2023/24 as our baseline for reporting, and our published Net Zero Road map sets out the approach we have taken to establish the scope 1, 2 and 3 levels and the plan to reduce those inline with our commitments.

Scope 1 energy use and emissions

Scope 1 or 'Direct impact emissions' are what we have the most control over. This includes GHG emissions from the services provided through our fleet, the processes to treat wholesome potable water and the generators used to power onsite work. The Group's Scope 1 energy use and carbon dioxide emissions for the year were as follows.

	2025/26		2024/25	
Fuel	**kWh**	**Tonnes CO2**	**kWh**	**Tonnes CO2**
Natural gas	106,794,064	19,618	91,967,586	16,821
Diesel BS EN 590	29,181,378	7,578	40,595,650	10,313
Gasoil (Class A2)	346,904	95	-	-
White diesel (generators)	3,978,615	1,033	2,152,533	515
Kerosene	210,295	55	140,400	36
Hydrogenated vegetable oil (HVO)	7,150	-	-	-
Unleaded 95	2,827,794	656	6,152,868	1,355
Total	**143,346,200**	**29,035**	**141,009,037**	**29,040**

Directors' Report (continued)

Scope 2 energy use and emissions

Scope 2 emissions come from the electricity purchased. This is currently measured as market based, which considers where the Group have chosen to purchase renewable electricity. This scope also includes GHG emissions created by the electricity generation that powers our sites, enabling us to provide services to our customers. Categories like purchased steam have been omitted as we are currently not exposed to it.

Electricity	2025/26		2024/25		2023/24	
	kWh	Tonnes CO_2e	kWh	Tonnes CO_2e	kWh	Tonnes CO_2e
Location-based emissions	102,656,056	18,430	98,154,620	20,633	95,816,481	21,608
Market-based emissions	102,656,056	261	98,154,620	325	95,816,481	7

Scope 3 energy use and emissions

The Group's Scope 3 emissions are the areas throughout the value and supply chain that we have the least control over. This includes GHG emissions created through the goods and services we buy, business travel by our colleagues and the eventual wastewater treatment of the clean water we supply. These account for circa 70% of our overall emissions and are our biggest challenge in reaching Net Zero. Unlike the other Scopes, there are limited direct actions that can be taken. The Group have stated their focus will be on efforts working with our partners to find reductions, but this will rely on changes outside of our control like the national decarbonisation to meet the Net Zero target in our calculations.

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. Since 22/23 SSW has procured almost 100% electricity from certified clean renewable energy sources. The Directors of the Company have therefore determined that the most representative measure for the consolidated group relating to the activity of the business is that of emissions per megalitre (Ml) of treated water supplied in the reporting period as used in the annual report of SSW.

	Location-based electricity factor			Market-based electricity factor		
	2025/26	2024/25	2023/24	2025/26	2024/25	2023/24
Emissions (tonnes CO2e	47,465	49,673	44,422	24,071	20,273	24,889
Emissions (kg CO2e per Ml of treated water)	250	245	272	143	131	154

Directors' Report (continued)

Efficiency measures

During the reporting year, the group has continued to invest in the efficiency of its network through ongoing pump efficiency and leak reduction programmes, by improving water production efficiency and by reducing our demand for energy, respectively. Finding cleaner power sources is vital to follow our net zero roadmap, aligned with the Water UK sector wide commitment, and achieve the Group wide ambition of Net Zero by 2050 and the SSW ambition of net zero ambition of 2030. Our Roadmap highlights that this is not an easy task and we will need the help of Our Partners, including our supply chain introducing and supporting us to use new and upcoming technologies such as hydrogen and organic waste to renewable natural gas options. These technologies are still in the earlier stages of development and the analysis of their viability with implementation, if possible, may not happen for a few years.

OnSite Central Limited has converted all its commercial and LCV fleet to modern low emission Euro 6 engines with start/stop & emergency stop features and a gamified telematic system, with the aims of reducing and controlling emissions. The new system provides active real-time driver feedback to assist in modifying behaviours which may lead to unsafe or inefficient operation. The wider group has started trial on the same gamified system and seen a 10% reduction in carbon emissions from this large source.

A number of the commercial companies hold International Standards Organisation (ISO) accreditations for environmental reporting and continued a number of initiatives during the year.

The group continued its 'Green Week' initiative in January 2026 focused on the drive for Zero Waste to Landfill. The Waste audit has been officially completed and actions assigned. This plan will look for accreditation in the coming financial year and will also help our net zero ambitions as we move our waste up the waste hierarchy.

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

Across the Group, Hydrosave (UK) Limited, Onsite Central Limited, the IWS Mechanical & Electrical Division and Advanced Engineering Services Limited have ISO 14001 (environmental management system) accreditation. Onsite Central Limited also hold Achilles Carbon Reduce Certification assessed to ISO 14064-1.

Financial instruments

The Group's financial risk management objectives and policies, including exposure to credit, liquidity and interest rate risks, are set out in Note 29 to the financial statements.

Employees

The Group is committed to fair employment practices and equal opportunities. Applications from disabled persons are fully considered, and existing employees who become disabled are supported to remain in employment wherever possible.

Directors' Report (continued)

Suppliers

The Group engages with all suppliers in the supply chain mainly through meetings and discussions to support it promoting its sustainable procurement policy, which aims to increase value for money, reduce consumption of primary resources and use materials with fewer negative impacts on the environment. The Group works with its suppliers to procure products from legal and sustainable sources. The Group also provides opportunities for suppliers who are small and medium sized enterprises and ensures that fair supply terms are applied and respected. The Group forms relationships with suppliers focusing on sourcing goods, works and services that embody the Group's environmental policy, health & safety policy and support the delivery of its sustainable development strategy.

Political donations

The Group made no political donations during the year (2025: £nil).

Directors' indemnities

The Directors have the benefit of a directors' and officers' liability insurance policy purchased for all the South Staffordshire Limited group of companies.

Post balance sheet events

On the 7 April 2026, South Staffordshire Water Plc increased its revolving credit facility from £75,000,000 to £100,000,000. The maturity date was also extended to November 2028.

Subsequent to the year end, the Group completed a restructuring involving the rationalisation of intercompany balances together with associated share capital and reserve reorganisation activities within the holding company structure.

The purpose of the restructuring was to simplify the Group's holding company structure, eliminate historic intercompany funding balances and establish a more sustainable reserves position within the holding company chain. As part of the restructuring, South Staffordshire Plc was re-registered as a private limited company and renamed South Staffordshire Limited. This change in legal name did not affect the underlying ownership, activities or control of the Group.

As the restructuring was completed after 31 March 2026, it represents a non-adjusting post balance sheet event and accordingly no amounts have been recognised in these financial statements in respect of the transaction. The effects of the restructuring will be reflected in the financial statements for the year ending 31 March 2027.

Independent Auditor

In accordance with 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, and that the directors have taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Following the appointment, Ernst & Young LLP is deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Directors' Report (continued)

Approved by the Board of Directors and signed on its behalf by

Signed by:
Charley Maher
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Ms C Maher
Group Chief Executive Officer
Date: 29 September 2026

Directors' Responsibilities Statement

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

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

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

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

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

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

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

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

Financial report

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

Opinion

We have audited the financial statements of South Staffordshire Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2026 which comprise Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated and Company Balance Sheet, Consolidated and Company Statement of Changes in Equity, the Consolidated Cashflow Statement and the related notes 1 to 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).

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 2026 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period to 30 September 2027.

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

Other information

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

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 72 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group, including the parent company, and determined that the most significant are those that relate to the reporting framework (FRS 102, Companies Act 2006), the regulatory landscape (Ofwat, Drinking Water Inspectorate, the Environmental Agency) and relevant UK tax compliance regulations.
- In addition, we concluded that there are certain laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to General Data Protection Regulation, health and safety, climate and environmental and bribery and corruption practices.
- We understood how the group is complying with those frameworks making enquiries of Board members and management, those responsible for legal and compliance procedures, the General Counsel and Company Secretary, the Strategy and Regulation Director and internal audit. We corroborated our enquiries through our review of Board minutes, papers provided to the Audit Committee, our attendance at meetings of the Audit Committee and our review of correspondence received from regulatory bodies. For the purpose of our risk assessment, we also obtained and reviewed the latest available internal audit reports.
- We assessed the susceptibility of the consolidated and parent company's financial statements to material misstatement, including how fraud might occur by enquiries of senior management including the Chief Executive Officer, Chief Financial Officer, the General Counsel and Company Secretary, the Strategy and Regulation Director and Audit Committee Chair. We also considered management remuneration and covenant compliance requirements which may create an incentive or pressure for management to manipulate results.
- We considered the possibility of fraud through management override, and, in response, we incorporated data analytics across manual journal entries into our audit approach. Where unusual results or anomalies were identified through our data analytics, we performed additional audit procedures to address each identified risk. These procedures included testing transactions back to source information and were designed to provide reasonable assurance that the financial statements were free from material fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of key management and legal counsel, inspecting legal correspondence and correspondence with regulators, reading key management meeting minutes and reviewing the volume and nature of complaints by the whistleblowing hotline during the year.

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

- We held meetings with management and legal counsel in order to understand instances of non-compliance with laws and regulations.
- We obtained and reviewed correspondence between the regulators, legal counsel and the group/parent company.
- We assessed management's accounting conclusions and disclosures with respect to the cyber-attack and other regulatory investigations to confirm these are appropriate and are consistent with the legal advice received.
- We read minutes of board meetings, reviewed related post year end information and/or transactions and made enquiries of those charged with governance. We performed targeted internet searches to evaluate if any contradictory evidence existed that could otherwise impact management's assessment and related disclosures.
- The group operates in the water sector which is regulated. As such the Senior Statutory Auditor reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of an expert where appropriate.

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

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

Use of our report

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

Signed by:
Adrian Roberts
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Adrian Roberts (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
Date: 29 September 2026

Consolidated Profit and Loss Account

For the year ended 31 March 2026

	Note	2026 £'000	Restated 2025 £'000
Turnover	3	**417,593**	388,034
Operating costs	4	**(381,691)**	(373,587)
Other operating income	7	**8,331**	11,078
Tangible asset impairment	13	**(32)**	(454)
Group operating profit (before exceptional items)		**44,201**	25,071
Exceptional items	8	**-**	(5,647)
Group operating profit (after exceptional items)		**44,201**	19,424
Income from associated undertakings	14	**809**	804
Total operating profit		**45,010**	20,228
Profit on sale of business	9	**22,192**	-
Interest receivable and similar income	10	**4,551**	6,508
Interest payable and similar expenses	10	**(39,952)**	(36,247)
Profit/(loss) before taxation		**31,801**	(9,511)
Taxation on (profit)/loss	11	**(3,309)**	885
Profit/(loss) for the financial year		**28,492**	(8,626)
Attributable to:			
Equity holders of the parent		**28,238**	(8,905)
Non-controlling interest		**254**	279
Profit/(loss) for the financial year		**28,492**	(8,626)

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2026

	Note	2026 £'000	2025 £'000
Profit/(loss) for financial year		**28,492**	(8,626)
Movement on hedging reserve		**(316)**	(572)
Deferred tax on movement on hedging reserve	**11**	**79**	143
Actuarial (loss)/gain relating to retirement benefit surplus	**30**	**(77)**	493
Deferred tax on movement relating to retirement benefit surplus	**11**	**(3)**	(123)
Exchange movements on translation of overseas operations		**(208)**	(18)
Total consolidated comprehensive income/(loss) for the year		**27,967**	(8,703)
Attributable to:			
Equity holders of the parent		**27,713**	(8,982)
Non-controlling interest		**254**	279
		27,967	(8,703)

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

Consolidated Balance Sheet

As at 31 March 2026

	Note	2026 £'000	2025 £'000
Fixed assets			
Intangible assets	12	**70,027**	79,347
Tangible assets	13	**740,963**	697,876
Interests in associated undertakings	14	**3,046**	2,237
Other investments	15	**72,413**	72,413
		886,449	851,873
Current Assets			
Stocks	18	**8,230**	7,674
Debtors – amounts recoverable within one year	19	**166,824**	180,417
Debtors – amounts recoverable in more than one year	19	**1,953**	2,251
Retirement benefit surplus	30	**907**	1,227
Cash at bank and in hand		**84,560**	67,319
		262,474	258,888
Creditors - amounts falling due within one year			
Borrowings	20	**(24,966)**	(105,629)
Other creditors	21	**(162,533)**	(138,332)
		(187,499)	(243,961)
Net current assets		**74,975**	14,927
Total assets less current liabilities		**961,424**	866,800
Creditors – amounts falling due in more than one year			
Borrowings	20	**(635,895)**	(567,181)
Other creditors	21	**(10,129)**	(17,535)
Accruals and deferred income	17	**(199,227)**	(195,098)
		(845,251)	(779,814)
Provisions	22	**(66,633)**	(65,413)
Net Assets		**49,540**	21,573

Consolidated Balance Sheet (continued)

As at 31 March 2026

	Note	2026 £'000	2025 £'000
Capital reserves			
Share capital	25	**7,449**	7,449
Share premium account	26	**52,797**	52,797
Revaluation reserve	26	**14,883**	15,203
Capital redemption reserve	26	**1**	1
Merger reserve	26	**(253)**	(253)
Currency translation reserve	26	**(297)**	(89)
Hedging reserve	26	**(3,276)**	(3,039)
Profit and loss account		**(22,013)**	(50,491)
Shareholder's funds		**49,291**	21,578
Non-controlling interest		**249**	(5)
Total capital employed		**49,540**	21,573

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 Limited, registered number 04295398, were approved by the Board of Directors and authorised for issue on 29 September 2026.

Signed by:
Charley Maher
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Ms C Maher

Group Chief Executive Officer

Consolidated Statement of Changes in Equity

For the year ended 31 March 2026

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

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 March 2026

	Called-up Share Capital £'000	Share Premium Account £'000	Revaluation Reserve £'000	Capital Redemption Reserve £'000	Merger Reserve £'000	Currency Translation Reserve £'000	Hedging Reserve £'000	Profit & Loss Account £'000	Shareholders Funds £'000	Non-Controlling Interests £'000	Total Capital Employed £'000
Balance at 31 March 2025	**7,449**	**52,797**	**15,203**	**1**	**(253)**	**(89)**	**(3,039)**	**(50,491)**	**21,578**	**(5)**	**21,573**
Profit for the financial year	-	-	-	-	-	-	-	28,238	**28,238**	254	**28,492**
Exchange movements on translation of overseas operations	-	-	-	-	-	(208)	-	-	**(208)**	-	**(208)**
Change in value of hedging instruments – cash flow hedges	-	-	-	-	-	-	(483)	-	**(483)**	-	**(483)**
Deferred tax on change in value of hedging instruments – cash flow hedges	-	-	-	-	-	-	121	-	**121**	-	**121**
Actuarial loss relating to retirement benefit surplus	-	-	-	-	-	-	-	(77)	**(77)**	-	**(77)**
Deferred tax on actuarial loss (Note 11)	-	-	-	-	-	-	-	(3)	**(3)**	-	**(3)**
Amounts transferred to profit and loss	-	-	-	-	-	-	167	-	**167**	-	**167**
Deferred tax on amounts transferred to profit and loss	-	-	-	-	-	-	(42)	-	**(42)**	-	**(42)**
Total comprehensive income/(expense)	-	-	-	-	-	(208)	(237)	28,158	**27,713**	254	**27,967**
Amounts transferred between reserves	-	-	(320)	-	-	-	-	320	**-**	-	**-**
Balance at 31 March 2026	**7,449**	**52,797**	**14,883**	**1**	**(253)**	**(297)**	**(3,276)**	**(22,013)**	**49,291**	**249**	**49,540**

Company Balance Sheet

As at 31 March 2026

	Note	2026 £'000	2025 £'000
Fixed assets			
Tangible assets	13	103	117
Other investments	15	252,874	252,874
		252,977	252,991
Current Assets			
Debtors – amounts recoverable within one year	19	56,037	61,251
Retirement benefit surplus	30	383	580
		56,420	61,831
Creditors - amounts falling due within one year			
Borrowings	20	(7,322)	(11,919)
Other creditors	21	(53,897)	(31,964)
		(61,219)	(43,883)
Net current (liabilities)/assets		(4,799)	17,948
Total assets less current liabilities		248,178	270,939
Creditors – amounts falling due in more than one year			
Borrowings	20	(110,096)	(134,208)
Other creditors	21	(873)	(7,460)
		(110,969)	(141,668)
Provisions	22	(964)	(1,000)
Net assets		136,245	128,271
Capital and reserves			
Share capital	25	7,449	7,449
Share premium account	26	52,797	52,797
Capital redemption reserve		1	1
Profit and loss account		75,998	68,024
Shareholder's funds		136,245	128,271

Company Balance Sheet (continued)

As at 31 March 2026

The profit in the year ended 31 March 2026 for the Company is £7,575,000 (2025: £17,436,000 loss). 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 Limited, registered number 04295398, were approved by the Board of Directors and authorised for issue 29 September 2026.

Signed by:

Charley Maher

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Ms C Maher

Group Chief Executive Officer

Company Statement of Changes in Equity

For the year ended 31 March 2026

	Called-up Share Capital £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Profit & Loss Account £'000	Shareholder Funds £'000
Balance at 1 April 2024	**6,449**	**42,319**	**1**	**85,112**	**133,881**
Loss for the financial year	-	-	-	(17,436)	(17,436)
Actuarial gain relating to retirement benefit surplus	-	-	-	464	464
Deferred tax on actuarial gain	-	-	-	(116)	(116)
Total comprehensive loss	**-**	**-**	**-**	**(17,088)**	**(17,088)**
New shares issued	1,000	10,478	-	-	11,478
Balance at 31 March 2025	**7,449**	**52,797**	**1**	**68,024**	**128,271**
Profit for the financial period	-	-	-	7,575	7,575
Actuarial gain relating to retirement benefit surplus	-	-	-	456	456
Deferred tax on actuarial gain	-	-	-	(57)	(57)
Total comprehensive income	**-**	**-**	**-**	**7,974**	**7,974**
Balance at 31 March 2026	**7,449**	**52,797**	**1**	**75,998**	**136,245**

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

Consolidated Cashflow Statement

For the year ended 31 March 2026

	Note	2026 £'000	2026 £'000	2025 £'000	2025 £'000
Cash inflow from operating activities			**102,227**		49,673
Corporation tax paid			**-**		-
Net cash inflow from operating activities	**(a)**		**102,227**		49,673
Cash flows from investing activities					
Purchase of tangible fixed assets		**(69,839)**		(47,211)	
Purchase of intangible fixed assets		**(138)**		(11,108)	
Proceeds from sale of tangible fixed assets		**1,451**		1,070	
Proceeds from the sale of business		**24,524**		-	
Interest received		**1,925**		3,556	
Repayment of loans received from parent undertakings		**-**		11,126	
Cash consideration for business acquisition		**-**		(3,856)	
Contributions and grants received		**9,367**		7,560	
Net cash outflow from investing activities			**(32,710)**		(38,863)
Cash flows from financing activities					
Interest paid		**(25,748)**		(24,798)	
Drawdown of bank loans		**40,000**		-	
Repayment of bank loans		**(40,000)**		-	
Repayment of loans paid to parent undertakings		**-**		(4,500)	
New shares issued		**-**		11,478	
Bank loan issues costs paid		**(1,258)**		(400)	
Drawdown of private placement loan notes		**80,000**		-	
Repayment of private placement loan notes		**(96,524)**		-	
Private placement loan notes issue costs paid		**(1,517)**		-	
Net cash outflow from financing activities			**(45,047)**		(18,220)
Increase/(decrease) in cash and cash equivalents			**24,470**		(7,410)
Cash or cash equivalents brought forward			**35,124**		42,534
Cash or cash equivalents carried forward			**59,594**		35,124

Purchase of tangible fixed assets relates to the cash paid out in the year in relation to tangible fixed asset additions. The difference in that paid £69,839,000 (2025: £47,211,000) and additions in the tangible fixed asset note of £83,328,000 (2025: £40,603,000) is due to the in-year movement of creditors due relating to capital purchases of £13,489,000 (2025: £6,168,000).

The cash balance of £59,594,000 (2025: £35,124,000) represents positive cash balances of £84,560,000 (2025: £67,319,000) net of overdraft balances of £24,966,000 (2025: £32,195,000).

Notes to the Consolidated Cashflow Statement

For the year ended 31 March 2026

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

	Note	2026 £'000	2026 £'000	2025 £'000	2025 £'000
Total Group operating profit			**45,010**		20,228
Depreciation	**13**	**38,349**		33,932	
Amortisation of goodwill	**12**	**7,040**		7,655	
Impairment of tangible assets	**13**	**32**		454	
Amortisation of intangible assets	**12**	**2,105**		2,012	
Amortisation of capital contributions		**(4,683)**		(3,474)	
Share of joint venture operating profit		**(809)**		(804)	
Loss/(profit) on disposal of fixed assets		**577**		(845)	
			42,611		38,930
(Increase)/decrease in stocks		**(556)**		1,982	
Decrease/(increase) in debtors		**13,078**		(21,568)	
Increase in creditors		**2,084**		10,101	
			14,606		(9,485)
Cash inflow from operating activities			**102,227**		49,673
Corporation tax paid			**-**		-
Net cash inflow from operating activities			**102,227**		49,673

(b) Reconciliation in movement in net debt

	2026 £'000	2025 £'000
Increase/(decrease) in net cash	**24,470**	(7,410)
Intercompany loan with parent undertaking	**(513)**	3,875
Drawdown of bank loans	**(40,000)**	-
Repayment of bank loans	**40,000**	-
Bank loan issue costs paid	**1,258**	400
Bank term loan issue cost amortisation	**(607)**	(346)
Drawdown of private placement loan notes	**(80,000)**	-
Repayment of private placement loan notes	**96,524**	-
Private placement loan notes issue costs paid	**1,517**	-
Private placement issue cost amortisation	**(566)**	(195)
Movement in derivatives	**(483)**	(741)
Movement on index-linked debt	**(12,893)**	(9,403)
Decrease/(increase) in net debt in the year	**28,707**	(13,820)
Net debt brought forward	**(605,008)**	(591,188)
Net debt carried forward	**(576,301)**	(605,008)

Notes to the Consolidated Cashflow Statement (continued)

For the year ended 31 March 2026

(c) Analysis of net debt

	Balance at 1 April 2025 £'000	Acquisitions And Disposals £'000	Cash Flow £'000	Non-Cash Movements £'000	**Balance at 31 March 2026 £'000**
Cash at bank and in hand (net of overdraft)	35,124	24,524	(54)	-	**59,594**
Intercompany loan	(11,845)	-	-	(513)	**(12,358)**
Irredeemable debenture stock	(1,650)	-	66	(66)	**(1,650)**
Index-linked debt (net of issue costs)	(300,475)	-	9,942	(22,835)	**(313,368)**
Bank term loans (net of issue costs)	(69,344)	-	8,148	(7,497)	**(68,693)**
Private placement loan notes (net of issue costs)	(257,301)	-	26,890	(9,415)	**(239,826)**
Derivatives	483	-	(483)	-	**-**
Obligations under finance leases and hire-purchase contracts	-	-	1	(1)	**-**
Net debt	(605,008)	24,524	44,510	(40,327)	**(576,301)**

Non-cash movements represent interest accrued under the effective interest method, indexation, amortisation of issue costs, and amortisation of the discount/premium on index-linked debt. The book value of net debt detailed above differs from the value used for covenant reporting purposes of £556,355,000 (2025: £583,258,000). 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 2026 £'000	Balance at 31 March 2025 £'000
Book net debt (as reported above)	**(576,301)**	(605,008)
Exclude intercompany loan	**12,358**	11,845
Exclude book premium on issue of index-linked debt	**10,896**	11,295
Exclude unamortised issue costs	**(4,328)**	(2,780)
Exclude accrued interest	**1,020**	1,390
Net debt reported for borrowing covenants	**(556,355)**	(583,258)

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

Notes to Financial Statements

1. Statement of accounting policies

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

(a) General information and basis of accounting

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

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The functional currency of the Company is pounds sterling because that is the currency of the primary economic environment in which the Company operates. Pounds sterling is also the presentational currency of the Group. The Company meets the definition of a qualifying entity under FRS 102 and has taken advantage of certain disclosure exemptions available in respect of qualifying entities. These include the exemption from preparing a Company Statement of Cash Flows and the exemption from disclosing related party transactions between wholly owned members of the Group.

During the current year, the Group performed a review of its intercompany trading eliminations and identified an error in the prior year consolidated financial statements with certain revenue and corresponding costs arising from transactions between Group undertakings not being fully eliminated. Consequently, both turnover and operating costs were overstated by £23,399,000. A prior period adjustment has been made to correct this error by restating the comparative amounts in the profit and loss account for turnover from £411,433,000 to £388,034,000 and operating costs from £396,986,000 to £373,587,000. There is no change to the group operating profit or the loss for the prior year. The notes to the accounts have been updated to reflect the impact of this adjustment, see notes 3, 4 and 5.

(b) Basis of consolidation

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

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

(c) Going concern

The Directors consider it is appropriate to prepare the financial statements on a going concern basis.

In order to assess the Group's liquidity requirements and trading prospects a detailed business planning process is completed for review by the Board. This reassesses its long-term strategic objectives and operational plans and the key business issues that the Group faces both now and those anticipated in the future and how the Group proposes to address these issues.

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

Notes to the Financial Statements (continued)

1. Statement of accounting policies (continued)

(c) Going concern (continued)

As part of this business planning process, the Group has assessed its future prospects and, as part of this assessment, has prepared operational forecasts including expectations of its performance in important operational matters. The Group has then prepared consolidated financial forecasts, which reflect the stated strategic objectives and operational plans, and include but are not limited to trading forecasts with turnover, operating and capital maintenance costs along with cash flow projections including operating cash flows, the planned investment programme, tax and finance related cash flows. The level of net debt is also projected through the period and is compared to the level of gearing as permitted in the Group's borrowing covenants as is its interest cover.

From this business planning, the Directors have used the forecasts up to 30 September 2027 for its going concern assessment, the going concern period.

South Staffordshire Water Plc

The Directors of SSW concluded that at the date of signing SSW's Annual Report and Accounts on 3 July 2026 that the most appropriate going concern period for SSW was to reflect the high degree of certainty within the five-year price review period ending on 31 March 2030 and to look forward for twelve months from signing to 31 July 2027.

The Group's going concern assessment includes an updated forecast for SSW to 30 September 2027 and is based on the final determination approved by Ofwat for the five years from 2025 to 2030. This provides a high degree of confidence over SSW's revenue during the assessment period, including SSW's ability to index customer bills to annual CPIH inflation. In addition, SSW has a high degree of confidence regarding approved capital expenditure and infrastructure renewal programme costs, with delivery through established contractor frameworks.

On 15 August 2022 South Staffordshire Limited 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. Since the incident, the Group has continued to respond to regulatory investigations and assess potential liabilities arising from civil claims associated with the breach of data. Advised by legal counsel, the Directors continue to review the risks and potential financial impact of these matters as investigations and claims progress.

In what the Directors consider to be a severe but plausible set of downside scenarios, SSW has sufficient financial headroom for the going concern period and complies with all borrowing covenants. The severe but plausible downside scenarios include reduced customer collections, potential liabilities and costs arising from the cyber-attack, significant increases in energy and chemical costs, together with consequential inflationary pressures and higher interest rates. The severe but plausible downside scenario assumes no further incremental debt facilities beyond the existing £100m revolving credit facility available to SSW.

A key assumption in the forecast and severe but plausible downside scenarios is the quantum and timing of future legal costs, liabilities and claims arising from the criminal cyber-attack and the effectiveness of the mitigating actions available to management.

In Note 22 to the financial statements, the Directors of South Staffordshire Limited set out that the quantum and value of civil claims the Group may receive, together with the costs and liabilities that may be incurred in addressing those claims, involve significant judgement and uncertainty and therefore remain subject to change as the matters progress and the factual position becomes clearer.

Non-regulated Group

The Directors of South Staffordshire Limited have concluded that, for the non-regulated Group, a going concern period ending on 30 September 2027 is also appropriate given the nature of the engineering services businesses which do not have the certainty of regulated monopoly allowed revenues.

Notes to the Financial Statements (continued)

1. Statement of accounting policies (continued)

(c) Going concern (continued)

To assess the financial resilience of the non-regulated Group to possible changing circumstances, sensitivity analysis has been applied to these financial forecasts to assess the impact on profitability, cash flows, liquidity, borrowing capacity and compliance with borrowing covenants of severe but plausible adverse changes to important assumptions made within these base projections, including those that are outside of the control of the Group. They include an increase in operating costs (including those arising from principal risk events occurring, see principal risks section) and an increase in the level of inflation and interest rates. The Directors have selected these assumptions as they believe it is these that could most significantly impact on the going concern of the non-regulated Group and that could most materially deviate from the non-regulated Group's base assumptions over the longer term.

In addition to the downside scenarios assessed by SSW relating to legal costs and claims, South Staffordshire Limited has also included the potential for the need to settle further penalties from regulators arising from ongoing investigations.

The Directors consider that when taken together these severe but plausible downside risks represent a meaningful assessment of the robustness of the non-regulated Group. The Directors have further assessed what additional reduced trading levels would be required to reduce liquidity or result in a breach to Group borrowing financial covenants to a level that would imperil the ability of the Group to continue as a going concern and concluded that the likelihood of these further reductions is remote given the magnitude of the reductions that this would require.

Conclusion

Based on the business plan and associated sensitivity analysis detailed above, the Board of Directors has a reasonable expectation that the Group and Company will be able to continue in operation and meet its liabilities as they fall due over the period of the going concern assessment to 30 September 2027.

(d) Turnover

South Staffordshire 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 and an estimate of amounts supplied but unbilled at the year end.

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

Contract accounting is applied to certain contracts which the Group is a party to. Where the outcome of the contract can be assessed with reasonable certainty, attributable turnover and profit are calculated on an appropriate and prudent basis and included in the accounts for the period under review. Where a contract loss is anticipated, the entire anticipated loss is recognised immediately. Where a contract has only been partially completed at the balance sheet date, turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date and is recorded in accrued income as part of debtors due within one year.

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

Notes to the Financial Statements (continued)

1. Statement of accounting policies (continued)

(e) Interest receivable and similar income

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

(f) Interest payable and similar expenses

Interest expense is recognised using the effective interest rate method.

(g) Dividends

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

(h) Goodwill

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

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

(i) Tangible fixed assets and depreciation

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

Infrastructure Assets

Infrastructure assets principally comprise two separate regional networks of systems that are intended to be maintained in perpetuity at a specified level of serviceability by the continuing replacement and refurbishment of their components. Expenditure on infrastructure assets relating to increases in capacity or enhancements of the networks is treated as an addition, which is included at cost. Annual expenditure required to repair and maintain the operating capability of the network is expensed within operating costs. New infrastructure assets are depreciated on a straight-line basis over their useful economic life of 100 years. The deemed cost of existing infrastructure assets determined as part of the transition to FRS 102 is being depreciated over the estimated remaining economic life of 80 years.

Other Assets

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

Notes to the Financial Statements (continued)

1. Statement of accounting policies (continued)

(i) Tangible fixed assets and depreciation (continued)

Asset Type	Category	Life
Boreholes	Specialised Operational Assets	100 years
Pumping stations, booster stations and treatment plant	Specialised Operational Assets	50-80 years
Mains, mains diversions	Infrastructure Assets	100 years
Impounding reservoirs and land	Infrastructure Assets	50-80 years
Fixed plant	Non-specialised Operational Assets	20-30 years
Boundary boxes	Other Tangible Assets	40 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

(j) Grants and contributions

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

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

Notes to the Financial Statements (continued)

1. Statement of accounting policies (continued)

(k) Opex vs capex

Our business involves significant construction and engineering projects. Assessing the classification of costs incurred on such projects between capital expenditure and operating expenditure requires judgments to be made. The judgments are made based on objective criteria that the company has developed to facilitate the consistent application of its accounting policies. The cost of repairs, maintenance and replacement of minor items is recognised in the income statement as it arises. Major parts, and expenditure which results in quality or capacity enhancements to the operating capability of the infrastructure networks is capitalised.

(l) Leased assets

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

(m) Investments in subsidiaries and joint ventures

Investments held as fixed assets are stated at cost less amounts written off and any provision for impairment.

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

(n) Stocks

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

(o) Foreign currency

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

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

Notes to the Financial Statements (continued)

1. Statement of accounting policies (continued)

(p) Pensions

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

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

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

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

In accordance with the agreed policy in the Group, as the South Staffordshire section of the defined benefit Water Companies Pension Scheme is a multi-employer scheme with deferred members of the scheme being employees of a number of companies in the Group, this section is accounted for in the individual company accounts of South Staffordshire Limited, 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 Limited is accounted for in the accounts of G. Stow Limited.

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

(q) Research and development

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

Notes to the Financial Statements (continued)

1. Statement of accounting policies (continued)

(r) Taxation

Current tax is based on taxable profits or losses for the year based on legislation enacted or substantively enacted at the balance sheet date.

Deferred taxation is provided in respect of capital allowances in excess of depreciation and all other timing differences that have originated but not reversed at the balance sheet date using the future rate of tax anticipated at the time of reversal based on legislation enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- provision is made for deferred tax that arises when income or expenses from subsidiaries, associates and joint ventures have been recognised in the financial statements and will be assessed to tax in a future period, except where the entity is able to control the reversal of the timing difference, and it is probable that the timing difference will not reverse in the foreseeable future;
- where there are differences between the amounts that can be deducted for tax for assets (other than goodwill) and/or between amounts that will be assessed for tax in respect of liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination, deferred tax liabilities/(assets) are recognised. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised; and
- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(s) Financial instruments

Financial assets

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

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

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

Financial Liabilities

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

The company's trade and other creditors and borrowings are initially measured at transaction price adjusted for transaction costs and subsequently measured at amortised cost. For the company's index linked borrowings, the initial effective interest rate (EIR) is calculated based on expected cash flows at initial recognition. Thereafter, the company increases the borrowings to reflect the finance expense and reduces it for payments made. The company accrues the finance expense based on the prevailing interest and inflation rates with the finance cost comprising both the expense relating to coupon payments and the RPI accretion of the notional amount. In doing so it takes into account actual cumulative inflation up until the reporting date. Any premium/discount and costs of issue are amortised over the life of the instrument, with the amortisation being included in the effective interest rate of the instrument that is included in finance charges in the profit and loss account.

Notes to the Financial Statements (continued)

1. Statement of accounting policies (continued)

(s) Financial instruments (continued)

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

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

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

(t) Hedge accounting

From time to time the company has entered into derivative financial instruments to hedge exposure to floating interest rates. As and when 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 the 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.

During the year the company held a single derivative which had been designated as a hedging instrument in an effective cash flow hedge, this derivative matured at the end of December 2025 and no further derivatives have been entered into at this time.

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

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

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

(u) Related party transactions

The Group has no related party transactions requiring disclosure other than those disclosed in note 29.

(v) Provisions

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

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

Notes to the Financial Statements (continued)

1. Statement of accounting policies (continued)

(w) Contingent liabilities

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

Where the Company has a possible obligation arising from a past event, or a present obligation which does not meet the recognition criteria for a provision, this represents a contingent liability. Contingent liabilities are not recognised in the financial statements, but are disclosed.

(x) SaaS agreements

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

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

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

(y) Exceptional items

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

Notes to the Financial Statements (continued)

2. Principal accounting judgements, estimates and assumptions

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

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

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

The more significant judgements were as follows:

Operating expenditure (opex) vs capital expenditure (capex)

Our business involves significant construction and engineering projects. Assessing the classification of costs incurred on such projects between capital expenditure and operating expenditure requires judgments to be made. The judgments are made based on objective criteria that the Company has developed to facilitate the consistent application of its accounting policies. Routine expenditure to maintain the service potential of the infrastructure assets is recognised in the income statement as it arises.

Recognition of provisions

At 31 March 2025, the Group had recognised specific provisions relating to potential regulatory penalties and other payments associated with the 2022 data breach. In the current year £1,200,000 of this provision has been utilised and has since been settled in cash (see Note 22 for further information).

In relation to the civil claims, there is significant judgment and uncertainty involved in relation to the quantum and value of civil claims we may receive, and the costs of liabilities that may be incurred addressing those claims. The assessment is therefore subject to change as the claims progress and the factual position becomes clearer.

Goodwill

Goodwill is amortised over its useful life but must be subject to an impairment test if impairment indicators are identified. Judgement is required in assessing whether indicators are present. In order to make this judgement, we undertake an exercise to estimate future cash flows from each CGU. The key input in making this judgement is the estimated EBITDA which impacts the profit assumed and hence free cash flow generation in each CGU.

Fens reservoir

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

Notes to the Financial Statements (continued)

2. Principal accounting judgements, estimates and assumptions (continued)

Mains renewal

During the year, expenditure incurred under the mains renewal programme was assessed in accordance with FRS 102 to determine whether it represented infrastructure renewals expenditure or capital additions. Where replacement mains involved the installation of enhanced materials that deliver improvements in asset performance, reliability and useful economic life, the expenditure was treated as an enhancement and capitalised as part of infrastructure assets, as it gives rise to incremental future economic benefits. In applying this approach, the carrying value of replaced assets was derecognised using an average net book value per metre, reflecting the aggregated nature of the historic infrastructure asset and the limited granularity of underlying records.

Company treatment of long-term loans as fixed asset investments

Loans to subsidiary undertakings of £84,494,000 (2025: £84,494,000) represent unsecured loans (see Note 15), which under the terms of the agreements are repayable on demand. Whilst repayable on demand, loans to subsidiary undertakings are provided for long-term financing and there is no intention of repayment in the foreseeable future. As such the Directors consider loans to subsidiary undertakings to be a fixed asset investment in nature.

The key accounting estimates were:

Accrued income

An estimate of water consumption by metered customers of South Staffs Water since the date of the last water bill and the corresponding income that remains unbilled at the end of the year (accrued income) is required to be made each year. This estimate uses a historical water consumption rate for each customer from South Staffs Water's billing system and applies this consumption rate to the unbilled period and the related tariff to estimate unbilled income for that period. The accrued income for metered customers as at 31 March 2026 was £20,790,000 (2025: £16,357,000). A 1% movement in consumption equates to a £164,000 movement. Other accrued income, including unregulated group activities, totalled £26,656,000 (2025: £34,037,000), with the balances assessed on an individual contract basis based on work completed at the reporting date. An estimate of the sales value of work that is partially complete at the end of the year that remains un-invoiced is estimated based on the estimated level of completion at the year end and the total sales value of each job.

Amortised cost of index-linked borrowings

In order to record the Company's index-linked borrowings at amortised cost the actual inflation rate (Retail Price Index - or RPI) per annum is assessed. The net book value of index-linked borrowings as at 31 March 2026 was £313,368,000 (2025: £300,475,000).

Bad and doubtful debt provision

The recoverability of trade debtors, and therefore the amount of bad and doubtful debt provision held against trade debtors in the balance sheet at each year-end, requires judgement. For South Staffs Water, this judgement requires consideration of the historical and forecast debt collection rates in respect of different categories of customers and trade debt, usually calculated as a percentage of the total amount billed in each year. This information is used to estimate the level of debt outstanding at the end of the year which is expected to be irrecoverable after following the processes of collection that South Staffs Water adopts. This estimate represents the year-end bad and doubtful debt provision of South Staffs Water which was £46,789,000 as at 31 March 2026 (2025: £40,063,000). For each 1% increase in the whole life cycle collection rates the bad and doubtful debt provision will decrease approximately £1,507,000.

Notes to the Financial Statements (continued)

2. Principal accounting judgements, estimates and assumptions (continued)

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 2026 is £740,963,000 (2025: £697,876,000). South Staffordshire Water assets included in the total above amounted to £734,687,000 (2025: £691,689,000). The average useful economic life for tangible fixed assets is 45 years and if this was to move by 5 years, the impact would be a change in the depreciation of approximately £1,633,000.

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 2026 in the consolidated balance sheet is £907,000 (2025: £1,227,000).

Sewerage charge collection provision

The Group undertakes the billing and collection of sewerage charges on behalf of a third party. The current contract includes an obligation to remit, over a four-year period, including the billing year, fixed percentages of the billed amount, less agreed commission levels. This places risk on the Group if the level of cash collections on annual billed amounts are not met. The Group's policy on this contract is to create a provision to cover the difference between the current forecast lifetime collections and the collections target specified in the contract. The primary assumption driving the provision requires judgement. This judgement requires the Group to estimate the amount of cash it ultimately expects to collect against the amount billed for any year, based on historical data and experience. In the prior year an exceptional charge was recognised in connection with the renegotiation of this contract. Further information is disclosed in Note 8.

The key accounting assessments were:

The FRC issued amendments to FRS 102

The Financial Reporting Standard applicable in the UK and Republic of Ireland following the 2024 Periodic Review. The most significant amendments relate to revenue recognition (Section 23) and leases (Section 20) and are effective for accounting periods beginning on or after 1 January 2026. Management has undertaken a high-level assessment of the potential impact of these amendments on the Group's financial statements. The Group is currently assessing the impact of the amendments to the financial statements, ahead of the first reporting period on 31 March 2027.

Climate change

The Group continues to develop its assessment of the impact that climate change may have on the amounts recognised in the financial statements. The natural environment in which the group operates is continually changing, and the expected impact on the Group from climate change is set out within the Strategic Report from page 66. We have considered the impact of the climate change related risks to which the Group is exposed in the preparation of these financial statements. The risks are long term in nature, and while they will provide a need for investment in the future, the Group concludes that there is no material impact on the carrying amount of assets or liabilities recognised in the financial statements, nor do they lead to any additional key sources of estimation or judgement.

Notes to the Financial Statements (continued)

3. Analysis of turnover

	2026 £'000	Restated 2025 £'000
South Staffordshire Water	**195,372**	153,400
Inter-divisional	**(44)**	(56)
South Staffordshire Water (external)	**195,328**	153,344
Non-regulated service businesses	**296,470**	292,029
Inter-divisional	**(74,205)**	(57,339)
Non-regulated service businesses (external)	**222,265**	234,690
Group Turnover	**417,593**	388,034

4. Operating costs

	2026 £'000	Restated 2025 £'000
Raw materials and consumables	**57,375**	61,699
Staff costs (Note 5)	**123,989**	122,364
Depreciation (non-infrastructure assets) (Note 13)	**33,662**	29,437
Depreciation (infrastructure assets) (Note 13)	**4,687**	4,495
Infrastructure renewals expenditure	**7,613**	10,660
Amortisation of goodwill (Note 12)	**7,040**	7,655
Amortisation of intangible assets (Note 12)	**2,105**	2,012
Own work capitalised	**-**	(170)
Operating lease rentals	**6,345**	7,178
Power	**22,061**	17,339
Hired and contract services	**57,435**	59,540
Rates	**4,978**	4,622
Abstraction charges	**4,866**	4,382
Charge for bad and doubtful debts	**1,882**	1,410
Other operating costs	**47,653**	40,964
	381,691	373,587

Notes to the Financial Statements (continued)

4. Operating costs (continued)

Auditor remuneration is analysed as follows:

	2026	2025
	£'000	£'000
Audit of the Company's annual accounts	**200**	200
The audit of other Group undertakings pursuant to legislation	**1,480**	1,772
Total audit fees	**1,680**	1,972
Other assurance services	**60**	60
Total non-audit fees	**60**	60
Total fees	**1,740**	2,032

5. Staff costs

	2026	Restated 2025
	£'000	£'000
Wages, salaries and bonuses	**107,197**	107,563
Social security costs	**12,829**	10,249
Pension costs	**3,963**	4,552
	123,989	122,364

There are no termination payments included within staff costs (2025: £455,000) relating to directors in subsidiary companies.

	2026	2025
	Number	Number
Average number of employees:		
South Staffordshire	**112**	99
South Staffs Water	**425**	410
Non-regulated service companies	**2,336**	2,445
	2,873	2,954

The table above shows the average number of persons employed by the Group under contracts of service during the financial year.

Notes to the Financial Statements (continued)

6. Directors' remuneration

	2026 £'000	2025 £'000
Emoluments	**1,257**	1,599
	1,257	1,599

No Directors holding office at 31st March 2026 accrued benefits under a Group defined benefit pension scheme during the year (2025: Nil) and no directors were contributing members of a Group money purchase pension scheme during the year (2025: 1).

The highest paid director received emoluments of £803,000 (2025: £974,000) during the year. There were £nil of Group contributions in respect of a money purchase pension scheme for the highest paid director (2025: £nil).

None of the Directors had a material interest in any contract to which the Group was party during the year or the preceding year.

7. Other operating income

	2026 £'000	2025 £'000
(Loss)/Profit on disposal of fixed assets	**(577)**	845
Amortisation of capital contributions received	**4,683**	3,474
Infrastructure renewals contributions	**4,139**	6,673
Other income	**86**	86
	8,331	11,078

Contributions in the table above represent the amortisation of capital contributions received in respect of non-current assets, which are released over the useful economic life of those non-current assets.

Infrastructure renewals contributions are for mains diversionary works and are received from developers for diversion activity. They are recognised when the works have been completed.

Notes to the Financial Statements (continued)

8. Exceptional items

In July 2022, the Group experienced a criminal cyber-attack. The incident involved the theft of data from the Group's IT systems including personal data of a proportion of South Staffordshire Water's employees and customers. During the prior year the Group identified £1,910,000 of exceptional items in relation to this, in accordance with the Group's accounting policy.

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

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

9. Profit on sale of business

In March 2026, the Group completed the disposal of IWS Water Hygiene, a trading division of one of its subsidiaries Integrated Water Services Limited, at a profit of £22,192,000. Details of the disposal are set out below:

	Note	£'000
Goodwill	**12**	130
Tangible assets	**13**	15
Current assets		3,306
Current liabilities		(550)
Provisions	**22**	(569)
Net assets disposed		**2,332**
Consideration received net of disposal costs		24,524
Profit on disposal		**22,192**

Notes to the Financial Statements (continued)

10. Finance income and expenses

	2026 £'000	2025 £'000
Interest receivable		
Bank interest receivable	**1,115**	2,163
Interest receivable from joint ventures	**392**	444
Interest on loans to parent undertakings	**3,044**	3,901
Total interest receivable and similar income	**4,551**	6,508
Interest payable and similar expenses:		
Index linked debt (cash)	**9,951**	9,546
Index linked debt (non-cash)	**12,883**	9,393
Bank loan debt and other interest	**6,749**	8,055
Private placement loan notes	**9,620**	8,391
Finance leases and hire purchase contracts	**1**	5
Interest payable on loans from subsidiary undertakings	**513**	624
Irredeemable debenture stock	**68**	65
	39,785	36,079
Other finance expense:		
Amounts recycled from hedging reserve	**167**	168
Total interest payable and similar expenses	**39,952**	36,247

11. Tax on profit

	2026 £'000	2025 £'000
Current tax		
UK corporation tax at 25% (2025:25%)	**75**	73
Adjustment in respect of prior years	**10**	-
Total current tax charge	**85**	73
Deferred tax		
Origination and reversal of other timing differences	**4,822**	(730)
Adjustment in respect of prior years	**(1,598)**	(228)
Total deferred tax charge/(credit)	**3,224**	(958)
Tax on profit/(loss) in the Consolidated Profit and Loss account	**3,309**	(885)

Notes to the Financial Statements (continued)

11. Tax on profit (continued)

	2026 £'000	2025 £'000
Deferred tax		
Relating to movement on hedging reserve	**(79)**	(143)
Relating to retirement benefit deficit	**3**	123
Tax on items taken directly to other comprehensive income	**(76)**	(20)

The tax assessed on the profit for the year is lower than (2025: higher than) the standard rate of corporation tax in the UK of 25% (2025: 25%). The differences are reconciled below:

	2026 £'000	2025 £'000
Profit/(loss) before tax	**31,801**	(9,511)
Profit/(loss) before tax multiplied by standard UK corporation rate of 25% (2025: 25%)	**7,950**	(2,378)
Expenses not deductible for tax purposes	**2,400**	2,389
Non-taxable gain on the sale of business	**(5,446)**	-
Group relief received not paid for	**-**	(662)
Foreign tax rates	**(7)**	(7)
Adjustments in respect of prior years	**(1,588)**	(227)
Total tax charge/(credit)	**3,309**	(885)

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. 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 (2025: £2,733,000).

Notes to the Financial Statements (continued)

12. Intangible assets

Group

	Development Costs £'000	Software £'000	Other Intangible Assets under Construction £'000	Goodwill £'000	Total £'000
Cost					
At 1 April 2025	9,062	15,555	22,523	118,422	165,562
Additions	12	-	126	-	138
Disposals	-	(157)	-	-	(157)
Disposal on sale of business	-	-	-	(2,403)	(2,403)
Transfer to tangible assets	-	-	(58)	-	(58)
At 31 March 2026	**9,074**	**15,398**	**22,591**	**116,019**	**163,082**
Amortisation and impairment					
At 1 April 2025	5,265	9,412	-	71,538	86,215
Amortisation charge for the year	813	1,292	-	7,040	9,145
Disposals	-	(32)	-	-	(32)
Disposal on sale of business	-	-	-	(2,273)	(2,273)
At 31 March 2026	**6,078**	**10,672**	**-**	**76,305**	**93,055**
Net Book Value					
At 31 March 2026	**2,996**	**4,726**	**22,591**	**39,714**	**70,027**
Net Book Value					
At 31 March 2025	3,797	6,143	22,523	46,884	79,347

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

Notes to the Financial Statements (continued)

13. Tangible assets

Group

	Land and Buildings £'000	Infrastructure Assets £'000	Fixed Plant & Equipment £'000	Specialised Operational Assets £'000	Total £'000
Cost					
At 1 April 2025	31,379	539,480	323,169	419,129	1,313,157
Additions	66	-	83,262	-	83,328
Transfer from intangible assets	-	-	58	-	58
Capitalisation of completed assets	-	17,916	(22,254)	4,338	-
Disposal	-	(1,782)	(4,648)	-	(6,430)
Disposal of sale of business	-	-	(5,352)	-	(5,352)
At 31 March 2026	**31,445**	**555,614**	**374,235**	**423,467**	**1,384,761**
Depreciation and Impairment					
At 1 April 2025	11,367	210,467	224,700	168,747	615,281
Charge for the year	22	4,687	19,558	14,082	38,349
Disposals	-	(98)	(4,435)	6	(4,527)
Disposal on sale of business	-	-	(5,337)	-	(5,337)
Impairment	8	-	24	-	32
At 31 March 2026	**11,397**	**215,056**	**234,510**	**182,835**	**643,798**
Net Book Value At 31 March 2026					
Owned	20,048	340,558	139,725	240,353	740,684
Leased	-	-	-	279	279
	20,048	**340,558**	**139,725**	**240,632**	**740,963**
Net Book Value At 31 March 2025					
Owned	20,012	329,013	98,469	250,097	697,591
Leased	-	-	-	285	285
	20,012	329,013	98,469	250,382	697,876

Freehold land of £2,562,000 (2025: £2,562,000) included above is not subject to depreciation. Finance lease liabilities had been fully paid in previous years and therefore there no finance lease liabilities or cash flow in the year.

Tangible fixed assets in the course of construction included in the table above had a cost of £44,191,000 at 31 March 2026 (2025: £17,943,000).

Notes to the Financial Statements (continued)

13. Tangible assets (continued)

Company

	Land and Buildings £'000	Plant & Equipment £'000	Total £'000
Cost			
At 1 April 2025	80	210	290
Additions	-	-	-
Disposal	-	-	-
At 31 March 2026	**80**	**210**	**290**
Depreciation			
At 1 April 2025	-	173	173
Charge for the year	-	14	14
Disposals	-	-	-
At 31 March 2026	**-**	**187**	**187**
Net Book Value			
At 31 March 2026	**80**	**23**	**103**
Net Book Value			
At 31 March 2025	80	37	117

Freehold land of £80,000 (2025: £80,000) held at 31 March 2026 was not subject to depreciation.

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

Notes to the Financial Statements (continued)

14. Interests in associated undertakings

	£'000
Balance at 1 April 2025	2,237
Share of profit after taxation	809
Balance at 31 March 2026	**3,046**

The balance above relates to the Group's 20% interest in Pennon Water Services Limited (or "PWSL"), a joint venture accounted for using the equity method.

During the year the Group provided Wholesale water services to the retailer PWSL and turnover of £21,127,000 (2025: £16,532,000) in relation these transactions was recognised and there was a trade debt outstanding of £nil (2025: £nil) at the year end. The receivable is secured, due in 15 days from invoice date. Also at 31 March 2026 an amount of £1,000 was payable to PWSL for cash collected during the year that has not been paid over (2025: £3,000).

The Group has an outstanding interest-bearing loan balance due from PWSL of £6,517,000 (2025: £6,517,000) which remained outstanding at 31 March 2026.

15. Fixed asset investments

Group

	Loan to joint Venture £'000	Loans to parent Undertakings £'000	Total £'000
At 1 April 2025	6,517	65,896	72,413
At 31 March 2026	**6,517**	**65,896**	**72,413**

Included in loans to parent undertakings are:

- £22,200,000 (2025: £22,200,000) identified as a loan with no fixed repayment date with an interest rate of 5.5%;
- £28,696,000 (2025: £28,696,000) identified as a loan with no fixed repayment date with an interest rate of 7.0%; and
- £15,000,000 (2025: £15,000,000) identified as a loan with no fixed repayment date with no interest charged.

Notes to the Financial Statements (continued)

15. Fixed asset investments (continued)

Company

	Loan to Joint Venture £'000	Loans to Subsidiary Undertakings £'000	Loans to Parent Undertakings £'000	Investment in Joint Venture £'000	Shares in Subsidiary Undertakings £'000	Total £'000
At 1 April 2025	6,517	84,494	65,896	1,983	93,984	252,874
At 31 March 2026	**6,517**	**84,494**	**65,896**	**1,983**	**93,984**	**252,874**

In FY23 the Company acquired 92.5% of the share capital in The Gateway Group of Companies Holding Limited ("TGGCH"). The Company has a call option, and the existing shareholders have a put option on the remaining 7.5% of the business. The value of the exercise price for both the call option and put option is based on the consolidated adjusted EBITDA of TGGCH and its subsidiary undertakings. The Directors have assessed the call option and put option and have concluded there is no fair value to the Company or Group consolidated financial statements.

Notes to the Financial Statements (continued)

15. Fixed asset investments (continued)

As at 31 March 2026, the Company's trading subsidiary undertakings, all of which are incorporated in the United Kingdom with the exception of Echo India Private Limited, which is incorporated in India and OnSite Utility Services Canada Limited, which is incorporated in Canada, and all of which have only ordinary shares in issue, were as follows:

Name	Company number	Direct Ordinary shareholding	Indirect Ordinary shareholding	Nature of business
SSW Finance Limited	13703008		100.0%	Holding company
SSW Holdings Limited	13682466	100.0%		Holding company
South Staffordshire Water Plc	02662742		100.0%	Regulated water supply
Office Watercoolers Limited	04144740	100.0%		Rental of water cooling units and sale of spring water
Echo Managed Services Limited	04102885	100.0%		Customer Management
Echo Northern Ireland Limited	NI057759		100.0%	Customer Management
Echo India Managed Services Private Limited	U72900DL2011FTC227486		100.0%	Software development support services to UK parent company
Echo Managed Services Australia Pty Ltd	645844962		100.0%	Customer Management
SSI Services (UK) Limited	03824088	100.0%		Holding company for those companies listed below
Onsite Central Limited	02712788		100.0%	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		100.0%	Sewer and wastewater asset inspection, surveying and cleaning
Integrated Water Services Limited	05283349		100.0%	Specialist mechanical and electrical engineering services
Hydrosave UK Limited	03460346		100.0%	Water main leak detection services and clean water network management services
G. Stow Limited	02645390		100.0%	Borehole drilling and refurbishment
Advanced Engineering Solutions Limited	03082093		100.0%	Pipeline engineering
Omega Red Holdings Limited	06399736	100.0%		Holding company

Notes to the Financial Statements (continued)

15. Fixed asset investments (continued)

Name	Company number	Direct Ordinary shareholding	Indirect Ordinary shareholding	Nature of business
Omega Red Group Limited	02197902		100.0%	Electrical earthing and lighting protection systems
The Gateway Group of Companies Holdings Limited	13985732	92.5%		Holding company
The Gateway Group of Companies Limited	08448586		92.5%	Holding company
Infrastructure Gateway Limited	04546642		92.5%	Construction of utility projects for fluids, electricity and telecommunications. Regulated water supply
Pennon Water Services Limited	09902835	20.0%		

Other subsidiaries of the Company as at 31 March 2026, which were all non-trading companies as at that date, were as follows:

365 Environmental Services Limited
Aqua Direct Limited
Aquastations Water Coolers Limited
Aquaven Limited
Brightwater Limited
Data Contracts Specialist Maintenance Limited
Freshwater Coolers Plc
Green Compliance Water Division Limited
Greenacre Pumping Systems Limited
Immerse Asset Management Limited
Inter-Credit International Limited
IWS M&E Services Limited
IWS Pipeline Services Limited
Lingard Limited
Perco Engineering Services Limited
Phoenix Water Coolers Limited
Portadam Limited
Pump Services Limited
Rapid Systems Limited
Smart Water Coolers Limited
Subaqua Solutions Limited
Waterflo Limited
Woodside Environmental Services Limited

As at 31 March 2026, 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 Managed Services Australia Pty Ltd (RSM Australia Pty Ltd, Level 21, 55 Collins Street, Melbourne, VIC 3000), Echo India Managed Services Private Limited (508, Mansarovar Building, 90 Nehru Place, New Delhi-110019 India), and Onsite Utility Services Canada Limited (Suite 2600, Three Bental Centre, 595 Burrard Street, PO Box 49314, Vancouver, BC, V7X 1L3).

Notes to the Financial Statements (continued)

16. Commitments

Group capital commitments outstanding at 31 March 2026 were £22,742,000 (2025: £7,178,000). Payments due not later than one year were £22,740,000 (2025: £4,326,000). 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.

17. Capital contributions – accruals and deferred income

Group

	Infrastructure Assets £'000	Other Assets £'000	Total £'000
At 1 April 2025	154,990	40,108	195,098
Capital contributions received	5,560	3,807	9,367
Disposals	(555)	-	(555)
Amortised in year	(2,030)	(2,653)	(4,683)
Balance at 31 March 2026	**157,965**	**41,262**	**199,227**

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

18. Stocks

	Group		Company	
	2026 £'000	2025 £'000	**2026 £'000**	2025 £'000
Store and raw materials	**8,230**	7,674	**-**	-

Notes to the Financial Statements (continued)

19. Debtors

	Group		Company	
	2026	2025	**2026**	2025
	£'000	£'000	**£'000**	£'000
Amounts recoverable within one year:				
Trade debtors	**65,644**	72,285	**-**	12
Amounts owed by group undertakings	**-**	-	**12,691**	10,070
Amounts owed by parent undertakings	**37,752**	34,172	**37,127**	34,172
Other debtors	**11,997**	20,777	**222**	12,783
Prepayments	**3,890**	2,219	**1,174**	456
Accrued income	**47,446**	50,394	**-**	10
Deferred tax (Note 23)	**-**	-	**4,805**	1,767
Derivative financial debtors	**-**	483	**-**	-
Corporation tax receivable	**95**	87	**18**	1,981
	166,824	180,417	**56,037**	61,251
Amounts recoverable in more than one year:				
Other Amounts owed by parent undertakings	**1,953**	2,251	**-**	-
	1,953	2,251	**-**	-
	168,777	182,668	**56,037**	61,251

Notes to the Financial Statements (continued)

20. Borrowings

	Group		Company	
	2026	2025	**2026**	2025
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year				
Bank overdraft	**24,966**	32,195	**7,322**	11,919
Private placement notes (net of issue costs)	**-**	73,434	**-**	-
	24,966	105,629	**7,322**	11,919
Amounts falling due in more than one year:				
Bank loans (unsecured and net of issue costs):				
- payable between one and two years	**29,789**	-	**-**	-
- payable between two and five years	**-**	69,344	**-**	39,685
- payable in more than five years	**38,904**	-	**-**	-
Indexed-linked debt*	**313,368**	300,475	**-**	-
Private placement notes (net of issue costs):			**-**	
- payable between one and two years	**-**	-	**-**	-
- payable between two and five years	**127,175**	-	**-**	-
- payable in more than five years	**112,651**	183,867	**110,096**	94,523
Irredeemable debenture stock (unsecured)*	**1,650**	1,650	**-**	-
Amounts payable to parent undertakings*	**12,358**	11,845	**-**	-
	635,895	567,181	**110,096**	134,208
Total borrowings	**660,861**	672,810	**117,418**	146,127

* these loans fall due in more than 5 years

For the analysis of Group net debt, refer to the Group Cash Flow note (c) which can be found on page 89.

Notes to the Financial Statements (continued)

20. Borrowings (continued)

Book value and covenants values

	2026 £'000	2025 £'000
Retail Price Index-Linked loan		
Un-Indexed Loan Value	**111,400**	111,400
Indexed/Covenant Loan Value	**236,168**	225,295
Book Value	**246,034**	235,522
Retail Price Index-Linked Bond		
Un-indexed Loan Value	**35,000**	35,000
Indexed/Covenant Loan Value	**66,655**	63,914
Book Value	**67,334**	64,953

Details on debt facilities

A full list of fixed, floating and Index Linked debt is shown below with maturity dates and agreed coupons. The RCF facilities listed below are shown at the value that is agreed and available as at 31 March 2026.

Excluding Index Linked Debt	Borrower	Lender	RCF / Term	Fixed / Floating	Coupon / Margin	Start	Maturity
£28.6m Barings Private Placement	Company	Barings	Term	Fixed	3.06%	Dec-21	Dec-29
£42.9m Barings Private Placement	Company	Barings	Term	Fixed	3.19%	Dec-21	Dec-31
£40m Rivage Term Loan*	Company	Rivage	Term	Fixed	8.32%	May-25	Dec-31
£10m Metlife Private Placement Series C Notes	SSW Finance Limited	MetLife	Term	Fixed	2.84%	Dec-21	Dec-31
£40m Metlife Private Placement Series D Notes**	SSW Finance Limited	MetLife	Term	Fixed	6.53%	Oct-25	Oct-28
£40m Paclife Private Placement Series E Notes**	SSW Finance Limited	PacLife	Term	Fixed	6.79%	Oct-25	Dec-30
£1.65m Irredeemable Debentures	SSW Plc	Various	Term	Fixed	4.11%	Feb-20	Mar-60
£75m NatWest RCF	SSW Plc	NatWest	RCF	Floating	2.85%	Nov-24	Nov-27
£20m Pricoa Private Placement Series A	SSW Plc	Pricoa	Term	Fixed	2.57%	Sep-21	Sep-36
£40m Pricoa Private Placement Series B	SSW Plc	Pricoa	Term	Fixed	2.75%	Jun-22	Jun-37
£20m Pricoa Private Placement Series C	SSW Plc	Pricoa	Term	Fixed	6.70%	Dec-23	Dec-30

Index Linked debt			RCF / Term	Fixed / Floating	Coupon / Margin	Start	Maturity
£111.4m Artesian Finance Bond	SSW Plc	Artesian III Bond holders	Term	ILD	3.76%	Sep-05	Sep-45
£35m Euro Bond	SSW Plc		Term	ILD	1.84%	Jun-08	Jun-51

Notes to the Financial Statements (continued)

20. Borrowings (continued)

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

** On 12 August 2025, SSW Finance Limited successfully agreed to re-finance the previous Metlife £43m series A and Metlife £30,000,000 series B notes due for repayment in January 2026 and replaced them with a combined £80,000,000 term loan split equally between MetLife and PacLife. On the 21 October 2025 the Series A & B Notes were paid from the proceeds of new £40,000,000 6.53% Series D Notes maturing 21 October 2028 and £40,000,000 6.79% Series E Notes maturing 21 December 2030.

21. Other Creditors

	Group		Company	
	2026	2025	**2026**	2025
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year:				
Payments received in advance	**45,696**	34,007	**-**	-
Trade creditors	**22,887**	18,932	**208**	383
Amounts owed to other group undertakings	**-**	-	**44,522**	22,517
Other creditors	**37,063**	38,206	**2,213**	6,241
Accruals and deferred income	**53,872**	44,581	**6,823**	2,624
Other taxation and social security	**3,015**	2,606	**131**	199
	162,533	138,332	**53,897**	31,964
Amounts falling due in more than one year:				
Payments received in advance	**2,825**	9,509	**-**	6,684
Other creditors	**7,304**	8,026	**873**	776
	10,129	17,535	**873**	7,460

During the year, an amount of £7,526,000 has been presented within Amounts owed to other group undertakings in the Company financial statements to better reflect the nature of the balance. In the prior year, this amount was presented within Payments received in advance. Comparative figures have not been restated as the impact is not material.

In the current year on consolidation this balance is eliminated in the Group financial statements. In the prior year, the corresponding receivable was presented within other debtors. Comparative amounts have not been restated to reflect the elimination of these balances on consolidation, as the impact is not material.

Notes to the Financial Statements (continued)

22. Provisions

Group

	Dilapidations and De-fleeting £'000	Onerous Contract £'000	Legal and Regulatory £'000	Deferred Tax £'000	Total £'000
At 1 April 2025	1,911	1,498	4,500	57,504	65,413
Profit and loss account charge	75	675	56	3,224	4,030
Amount utilised	(30)	(544)	(1,200)	-	(1,774)
Amount released	(281)	(74)	(36)	-	(391)
Amount released from sale of business	(569)	-	-	-	(569)
Charge to other comprehensive income	-	-	-	(76)	(76)
At 31 March 2026	**1,106**	**1,555**	**3,320**	**60,652**	**66,633**

Dilapidations and de-fleeting

The Group has recognised a provision for dilapidations in relation to the estimated costs of restoring leased properties to their original condition at the end of the lease term, in accordance with the terms of the lease agreements. The Group will reassess the provision at the end of each reporting date and adjust it as necessary to reflect any changes in estimates or circumstance.

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

Onerous contract

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

Legal and Regulatory

In July 2022 the Group experienced a criminal cyber-attack. The incident involved the theft of data from the Group's IT systems including personal data of a proportion of the Group's employees and customers. During the year, the Group utilised part of the provision established in respect of the cyber-attack to settle a regulatory penalty. Regulatory investigations relating to the cyber-attack are now concluded.

The quantum and value of civil claims we may receive, and the costs of liabilities that may be incurred addressing those claims, and any regulatory penalties, involves significant judgment and uncertainty. The assessment is therefore subject to change as the claims progress, and the factual position becomes clearer. As at 31 March 2026, the provision is based on the company's assessment and external legal advice.

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

A further analysis of deferred tax is set out in Note 23.

Notes to the Financial Statements (continued)

22. Provisions (continued)

Company

	Legal and Regulatory £'000	Total £'000
At 1 April 2025	1,000	1,000
Amount released	(36)	(36)
At 31 March 2026	**964**	**964**

23. Deferred tax

	Group		Company	
	2026	2025	**2026**	2025
	£'000	£'000	**£'000**	£'000
Deferred tax liabilities/(assets) are provided as follows:				
Accelerated capital allowances	**90,762**	85,004	**(252)**	(305)
Tax losses	**(25,293)**	(24,596)	**(4,633)**	(1,590)
Timing differences in respect of hedging reserves	**(1,092)**	(1,013)	**-**	-
Deferred interest deductions	**(3,484)**	(2,669)	**-**	-
Other timing differences	**(241)**	778	**80**	128
	60,652	57,504	**(4,805)**	(1,767)

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

No deferred tax has been recognised on capital gains rolled over against the cost of acquisition of certain property and structures owned by South Staffordshire Water. 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 (2025: £2,733,000)

Notes to the Financial Statements (continued)

24. Contingent liability

From time to time the Group is subject to legal and regulatory proceedings arising in the ordinary course of business. In relation to one matter outstanding at the reporting date, the Directors consider it probable that an outflow of economic resources may ultimately be required to settle the matter. However, due to the current stage of the proceedings and the uncertainties surrounding the outcome, the Directors are unable to make a reliable estimate of the potential financial effect.

No provision has therefore been recognised. The ultimate outcome, timing and amount of any settlement remain uncertain.

25. Share capital

Group and Company

	2026 £'000	2025 £'000
Authorised		
47,058,824 Ordinary Shares of 42.5p	**20,000**	20,000
	20,000	20,000
Issued and fully paid		
17,525,738 Ordinary Shares of 42.5p each	**7,449**	7,449
	7,449	7,449

26. Other reserves

Group

	Share Premium Account £'000	**Revaluation Reserve £'000**	**Capital Redemption Reserve £'000**	**Merger Reserve £'000**	**Currency Translation Reserve £'000**	**Hedging Reserve £'000**
At 1 April 2024	42,319	15,423	1	(253)	(71)	(2,610)
Total comprehensive income for the year	-	-	-	-	(18)	(429)
New shares issued	10,478	-	-	-	-	-
Reserve transfers	-	(220)	-	-	-	-
At 1 April 2025	**52,797**	**15,203**	**1**	**(253)**	**(89)**	**(3,039)**
Total comprehensive income for the year	-	-	-	-	(208)	(237)
Reserve transfers	-	(320)	-	-	-	-
At 31 March 2026	**52,797**	**14,883**	**1**	**(253)**	**(297)**	**(3,276)**

Notes to the Financial Statements (continued)

26. Other reserves (continued)

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

The revaluation reserve represents the deemed cost of existing infrastructure assets determined as part of the transition to FRS 102 which gave rise to a revaluation reserve of £18,800,000, net of deferred tax, which is being transferred to retained earnings as it becomes realised over the estimated useful life of the related assets of 80 years.

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

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 Limited 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, further details of the swap can be found in Note 29.

27. Operating lease commitments

At 31 March 2026 the Group and Company were committed to making the following total minimum payments under non-cancellable operating leases:

Group

	2026 Buildings £'000	2025 Buildings £'000	**2026 Other £'000**	2025 Other £'000
Amounts due:				
Within one year	**1,242**	992	**3,650**	4,112
Between two and five years	**3,396**	1,339	**3,426**	4,189
After five years	**1,165**	237	**-**	-
	5,803	2,568	**7,076**	8,301

Company

	2026 Motor Vehicles £'000	2025 Motor Vehicles £'000
Amounts due:		
Within one year	**74**	96
Between two and five years	**56**	76
After five years	**-**	-
	130	172

Notes to the Financial Statements (continued)

28. Non-controlling interest

	£'000
At 1 April 2025	(5)
Profit on ordinary activities after taxation	254
At 31 March 2026	**249**

29. 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 2026 represent bank term loans, private placement loan notes, index-linked debt and irredeemable debenture stock. The purpose of the Group's borrowings is to finance the Group's operations. It is and has been throughout the year and the previous year under review, the Group's policy that no trading in financial instruments shall be undertaken. The Group's policy in respect of cash, loans receivable and borrowings are to maintain flexibility with both fixed and floating interest rates and long and short-term borrowings while not exposing the Group to significant risk of market movements (see below). Bank loans bear interest that is linked to SONIA plus a bank margin, which is applied to the drawn down element of each loan, a portion of which the Company previously hedged with interest rate swaps. These swaps matured in December 2025, and no new hedging arrangements have yet been entered into.

Borrowings	**2026 £'000**	2025 £'000
Retail Price Index-linked debt	**313,368**	300,475
Fixed rate financial liabilities	**292,741**	226,706
Floating rate financial liabilities	**59,139**	75,602
	665,248	602,783

The above borrowings are stated at their book value as opposed to the value used for borrowing covenant purposes. See Note 20 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. 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**
2026 Sterling	**5.01**	**6.1**
2025 Sterling	3.24	6.4

Notes to the Financial Statements (continued)

29. 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 2026 was £175,809,000 (2025: £178,870,000).
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 asset

Index-linked debt, debenture stock and bank debt issued by South Staffordshire Water, 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

Notes to the Financial Statements (continued)

29. Financial assets and liabilities (continued)

Sensitivity analysis

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

	2026	2025
	£'000	£'000
RPI + 0.25%	**(771)**	(742)
RPI – 0.25%	**771**	730
SONIA + 1.00%	**(300)**	(400)
SONIA – 1.00%	**300**	400

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

	Interest rate fixed		**Nominal principal amount**		**Fair Value**	
Period to maturity	**2026**	2025	**2026**	2025	**2026**	2025
	%	%	**£'000**	£'000	**£'000**	£'000
In one year or less or on demand	**-**	-	**-**	30,000	**-**	(483)

Group debtors

Group debtors recoverable in more than one year of £65,644,000 (2025: £72,285,000) principally represent loans receivable from the Company's parent undertakings of £65,896,000 (2025: £65,896,000) with no fixed repayment date and £6,517,000 receivable from the joint venture (2025: £6,517,000).

Notes to the Financial Statements (continued)

29. Financial assets and liabilities (continued)

Trade debtors

Before accepting orders from certain customers and offering credit terms, the Group undertakes appropriate credit assessments and uses this information to determine if an order is accepted and the credit terms that will be offered. Provision is made within the trade debtor values detailed below, based on judgment by senior management, for amounts considered to be unrecoverable due either to their nature or age. Due to the varying nature of the Group's businesses, there is no single method that is applied to all trade debtors. This would not be considered appropriate with the methods applied being considered appropriate to each business. The total amount charged to the profit and loss account in the year ended 31 March 2026 in respect of such provisions was £1,882,000 (2025: £1,410,000). Total Group trade debtors (net of provisions) as at 31 March 2026 were £65,644,000 (2025: £72,285,000). 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 2026 was £1,289,000 (2025: £7,422,000), representing 2% (2025: 10%) 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.

Notes to the Financial Statements (continued)

30. Pension retirement benefits

Group

Surplus of defined benefit pension scheme	£'000
At 1 April 2025	1,227
Section expenses	(851)
Net finance income	61
Company contributions	547
Actuarial loss	(77)
Surplus at 31 March 2026	**907**

Company

Surplus of defined benefit pension scheme	£'000
At 1 April 2025	580
Section expenses	(625)
Net finance income	29
Company contributions	456
Actuarial loss	(57)
Surplus at 31 March 2026	**383**

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 2026, 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 Limited which is also closed to new entrants and had ceased accrual of benefits prior to acquisition. The Group also operates three defined contribution pension schemes. The assets of all these schemes are held separately from those of the Group, being invested by professional fund managers.

Details of the accounting policy for pension schemes are provided in Note 1. As both of the sections of the Water Companies Pension defined benefit scheme are closed to future benefit accrual, from 1 April 2015 only funding deficit contributions have been paid into the Scheme (with these being £547,000 in the year ended 31 March 2026 and £1,210,000 in the year ended 31 March 2025) with these contributions paid increasing the assets of the sections. No current service contributions are now paid and with effect from 1 April 2015 there is no current service cost charge to the profit and loss account.

Notes to the Financial Statements (continued)

30. Pension retirement benefits (continued)

A pension asset has been fully recognised for both sections at both 31 March 2026 and 31 March 2025 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 Limited 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 2026 and £nil in the year ended 31 March 2025) 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 this section at both 31 March 2026 and 31 March 2025 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).

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 2026	31 March 2025
Rate of increase in pensions	3.0%	3.0%
Discount rate	6.0%	5.7%
Annual inflation RPI	3.7%	3.4%
Annual inflation CPI	3.3%	3.0%

	31 March 2026 No. of Years	31 March 2025 No. of Years
Life expectancy of male aged 60 at accounting date	26.0	25.6
Life expectancy of female aged 60 at accounting date	28.9	28.8

Notes to the Financial Statements (continued)

30. 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:

	2026 %	**2026 £'000**	2025 %	2025 £'000
Equities	**1%**	**800**	1%	865
Bonds/gifts and debt instruments	**2%**	**2,955**	2%	3,136
Buy-in policy	**96%**	**133,834**	96%	136,395
Other	**1%**	**1,127**	1%	1,569
Cash	**0%**	**234**	0%	(9)
Market value of scheme assets		**138,950**		141,956
Present value of scheme liabilities		**(138,043)**		(140,729)
Net surplus		**907**		1,227

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:

	2026 %	**2026 £'000**	2025 %	2025 £'000
Bonds/gifts and debt instruments	**0%**	**-**	0%	9
Buy-in policy	**100%**	**107,213**	99%	109,555
Other	**0%**	**351**	1%	766
Cash	**0%**	**139**	0%	(78)
Market value of scheme assets		**107,703**		110,252
Present value of scheme liabilities		**(107,320)**		(109,672)
Net surplus		**383**		580

In 2023, the South Staffs Water and Cambridge Water Sections of the Water Companies Pension Scheme, together with the other three section of the Scheme, changed their investment strategies to invest in an insurance policy with Just Plc, which is structured to meet the Scheme's future liabilities. This transaction, often referred to as an Insurance Buy-In, completed on the 31 March 2023. Consequently, the sections' assets at the year-end mainly comprised the insurance policy.

Notes to the Financial Statements (continued)

30. Pension retirement benefits (continued)

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

	2026	2025
	£'000	£'000
Opening present value of scheme's liabilities	**140,729**	157,737
Interest cost	**7,725**	7,330
Actuarial gain	**140**	(14,174)
Benefits paid	**(10,551)**	(10,164)
Closing present value of scheme's liabilities	**138,043**	140,729

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

	2026	2025
	£'000	£'000
Opening present value of scheme's liabilities	**109,672**	122,874
Interest cost	**6,012**	5,710
Actuarial gain	**142**	(10,990)
Benefits paid	**(8,506)**	(7,922)
Closing present value of scheme's liabilities	**107,320**	109,672

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

	2026	2025
	£'000	£'000
Opening present value of scheme's assets	**141,956**	158,023
Interest on scheme assets	**6,927**	5,962
Actuarial return on plan assets less interest income	**71**	(13,094)
Employer contributions	**547**	1,210
Benefits paid	**(10,551)**	(10,145)
Closing market value of the scheme assets	**138,950**	141,956

Notes to the Financial Statements (continued)

30. Pension retirement benefits (continued)

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

	2026	2025
	£'000	£'000
Opening present value of scheme's assets	**110,252**	123,129
Interest on scheme assets	**5,416**	5,121
Actual return on plan assets less interest income	**85**	(10,526)
Employer contributions	**456**	450
Benefits paid	**(8,506)**	(7,922)
Closing market value of scheme assets	**107,703**	110,252

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

	2026	2025
	£'000	£'000
	Increase	Increase
Discount rate		
Effect of a 0.1% pa change	**(1,300)**	(1,400)
Inflation		
Effect of a 0.1% pa change	**1,100**	1,100
Life expectancy		
Effect of a one year change	**5,300**	5,200

The amount charged to the consolidated profit and loss account for the defined contribution schemes in the year was £3,963,000 (2025: £4,552,000).

Notes to the Financial Statements (continued)

31. Related party transactions

Historical agreements were put in place with a holding company in the Group structure to offset the impact on South Staffordshire Water 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 in respect of these transactions at 31 March 2026 was £2,579,000 (2025: £2,491,000).

During the year, the company provided wholesale water services to the retailer Pennon Water Services Limited (PWSL), and its subsidiary SSWB, a joint venture with South Staffordshire Limited, with a turnover of £21,127,000 (2025: £16,532,000). In relation to these transactions £nil was outstanding at the year-end (2025: £nil). The receivable is secured, due in 15 days from invoice date. Also at 31 March 2026 an amount of £1,000 was payable to PWSL for cash collected during the year that has not been paid over (2025: £3,000).

The Group has an outstanding interest-bearing loan balance due from Pennon Water Services Limited of £6,517,000 (2025: £6,517,000) which remained outstanding at 31 March 2026 (Note 14). 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.

All statutory directors and certain senior employees who have authority and responsibility for planning, directing and controlling activities of the Group are considered to be key management personnel. Total remuneration in respect of these individuals is £1,515,000 (2025: £1,599,000). This represents amounts paid for management personnel which includes the statutory directors.

32. Post balance sheet events

On the 7 April 2026, South Staffordshire Water Plc increased its revolving credit facility from £75,000,000 to £100,000,000. The maturity date was also extended to November 2028.

Subsequent to the year end, the Group completed a restructuring involving the rationalisation of intercompany balances together with associated share capital and reserve reorganisation activities within the holding company structure.

The purpose of the restructuring was to simplify the Group's holding company structure, eliminate historic intercompany funding balances and establish a more sustainable reserves position within the holding company chain. As part of the restructuring, South Staffordshire Plc was re-registered as a private limited company and renamed South Staffordshire Limited. This change in legal name did not affect the underlying ownership, activities or control of the Group.

As the restructuring was completed after 31 March 2026, it represents a non-adjusting post balance sheet event and accordingly no amounts have been recognised in these financial statements in respect of the transaction. The effects of the restructuring will be reflected in the financial statements for the year ending 31 March 2027.

Notes to the Financial Statements (continued)

33. 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 Limited at 31 March 2026. The consolidated accounts for Hydriades IV Limited can be obtained from the Company's registered office, Green Lane, Walsall, West Midlands, WS2 7PD.

AIP Holdings Limited, a Company registered in England and Wales, controls the General Partner (GP) of the investment fund, Infrastructure Alliance Europe 2 SCSp, that acquired a majority equity interest of a holding company of the Group. The GP is not considered the parent of the fund as it only has limited ability to control the fund operationally through the Limited Partnership Agreement which is subject to the Investment Rules, and the GP can only act in accordance with the approvals given by the Limited Partnership Advisory Board.

South Staffordshire Limited
(formerly South Staffordshire Plc)

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