Kelda Eurobond Co Limited

Annual Report and Financial Statements

Registered number 06433768

For the year ended 31 March 2025

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Contents

Our Business

Kelda Eurobond Co Limited (the company) and its subsidiaries, joint ventures, and associates (the group) is made up of several businesses:

Yorkshire Water Services Limited (Yorkshire Water)

Yorkshire Water is the principal UK subsidiary of the group, providing water and wastewater services, serving over five million individual customers, in over two million homes and 139,000 businesses. Every day, Yorkshire Water supplies 1.3 billion litres of fresh water to homes and businesses in Yorkshire. Yorkshire Water also collect, treat and return to the environment almost two billion litres of wastewater and rainwater every day.

Yorkshire Water results are presented as the 'UK Regulated Water Services' segment.

Business strategy: At Yorkshire Water we are very aware that everything we do has an impact on Yorkshire. We want Yorkshire to thrive, and we want to do what is right for customers and for the environment.

The strategy will provide a clear ambition for our business at all levels and deliver improved performance for customers.

Further details of Yorkshire Water's corporate strategy is detailed later within this *Strategic Report.*

Loop Customer Management Limited (Loop)

Loop specialises in cost effective customer relationship management. Loop's main contract is to provide customer service support to Yorkshire Water.

Business strategy: Focus on the key competency of providing customer service solutions to Yorkshire Water.

Keyland Developments Limited (Keyland)

Keyland adds value to the group's surplus property assets, usually by obtaining planning permission for the most beneficial use and selling into the market or undertaking development in partnership with others. Keyland is also progressing a number of Planning Promotion Agreements with third party landowners. In addition, Keyland manages two strategic land joint ventures. The results of Keyland include the group's share of its associates and joint ventures.

Business strategy: To add value to land with development potential and to maximise proceeds from the sale of that land.

Kelda Transport Management (KTM)

As per the requirement of KTM's operating licence, all vehicle registration documents, and maintenance contracts for Yorkshire Water are held in KTM. KTM can demonstrate independence of Yorkshire Water. Three appointed transport managers are in place with two appointed Board directors supported by a Company Secretary.

Business strategy: To comply with the Goods Vehicles (licencing of operators) Act 1995, to demonstrate continuous and effective management of two operating licences (Yorkshire and North-West England) for Large Goods Vehicles (LGVs) allowing Yorkshire Water to operate LGVs whilst promoting operating efficiencies and compliance.

Statement on non-financial information

Kelda Eurobond Co Limited has complied with the requirements of s414CB of the Companies Act 2006 by including certain non-financial information within the *Strategic Report.* This can be found as follows:

Our business model is shown later in the *Strategic Report*.

Information regarding the following matters, including a description of relevant policies, the due diligence process implemented in pursuance of the policies and outcomes of those policies, can be found in the following sections:

- Environmental matters in our *Right for the environment* section;
- Employees in *Our people* section;
- Social matters in our *Corporate strategy* section;
- Respect for human rights in *Our people* section; and
- Anti-corruption and anti-bribery matters in *Our people* section.
- Climate-related financial disclosures in our *Right for the environment* section.

Where principal risks have been identified in relation to any of the matters listed above, these can be found in the *Managing risks and uncertainties* section, including a description of the key factors which may cause adverse impacts in those areas of risk, and a description of how the principal risks are managed.

All of our key performance indicators, including non-financial indicators, are reported within the *Strategic Report*.

Our Financial Performance section includes, where appropriate, reference, and additional explanations of, amounts included in the Financial Statements.

Our corporate strategy

In 2023 we launched a strategy focused on helping Yorkshire thrive – something that still guides us today and in the future. Over the past year, we have taken a close look at our corporate strategy to make sure it still fits our goals. We found that it continues to reflect what we are aiming for, with just a few small updates needed as we head into the next five years.

Our vision

We know that everything we do has an impact on Yorkshire. We want Yorkshire to thrive, and we want to do what is right for customers and for the environment.

We see ourselves as an anchor institution in the region. Our Business Plan for the next five years includes £8.3 billion in total expenditure, which we will use to invest in infrastructure, to create and sustain jobs, to support skills development and education, and to work with other organisations to deliver better outcomes across the region. We know that we face many challenges, including a loss of trust in the sector, the effects of climate variability, and the impact of increasing costs, which affects both our business and our customers. We want to deliver great value for Yorkshire, to be an inspiring and motivating place to work, and to improve the environment around us.

'Right for customers' means that we will provide safe, clean, great tasting water and return wastewater safely to the environment. We will do this in a way that delivers good value for money, with bills that everyone can afford. Our bills have increased from 1 April 2025 as we need to invest more in our infrastructure, but at the same time we are offering even greater support to customers who struggle to pay their bills.

We want to be an easy organisation to interact with, with a tailored and reliable service which offers multiple ways for our customers to get in touch, to cater for the diverse range of needs that we know our customers have.

We listen to our customers and communities so that we can keep improving our customer experience. More information on what we have delivered for our customers in the year can be found in the section on Serving our customers.

'Right for the environment' means making our water go further and minimising the impact of wastewater on the natural environment of Yorkshire. We are extremely focused on reducing pollution and sewer flooding and improving our river and coastal water quality. This will take time, but we are cracking on and investing £1.5 billion over the next five years to improve storm overflows, as well as working to improve our internal processes, to bring about change as quickly as possible.

We also want to protect our water resources in the face of climate change and a growing population, which means reducing leaks and increasing customer awareness around water usage. We are seeing this particularly in the first half of the 2025 calendar year which has seen the driest start to a year since records began, and reservoirs at significantly lower levels than we would normally see in the first half of the year. We have a big role to play in addressing climate change, and are working towards achieving net-zero carbon emissions in our operations, and reducing the emissions created in building our assets.

More information on what we are doing for the environment can be found in the section on *Right for the environment*.

Achieving our vision

Strategic pillars

Our strategy has three pillars which are our key areas of focus to reach our vision.

Improving asset performance

During the year we have updated this pillar from improving asset health to improving asset performance. This is to reflect the fact that we are managing our assets to get them to deliver, and we invest in them, sometimes to increase capacity and sometimes to improve asset health. Asset performance is critical to delivering services to our customers and protecting the environment. By 'assets' we mean our water and wastewater assets, which include our pipe network, the treatment works where water or wastewater is treated and all the assets that link these together. We need to keep investing in pro-active maintenance to reduce asset failure, as well as building new assets to improve the quality, resilience and capacity of the services we provide. Our aim is to do this while keeping bills as low as we can and protecting the environment through choosing nature-based solutions where possible. More information on how we are improving asset performance can be found in the sections on *Right for customers* and *Right for the environment*.

Creating an engaged, high-performing team

Our people are our biggest asset and represent the heart of our business. We want to be an inclusive workplace where everyone feels safe, respected, and encouraged to do a fantastic job. This also applies to our contract partners who we work closely with to drive continuous improvement in our performance. More information on how we are creating an engaged, high-performing team can be found in the section on *Our people*.

Taking a joined-up approach

In order to deliver what is right for Yorkshire, we need to work together, both across our organisation and externally with our customers and other stakeholders. By working together, our people, our supply chain and our stakeholders can achieve more than any of us could by working alone. More information on our partnership working can be found throughout this report, including in the sections on *Right for the environment* and *Our communities*.

Our Foundations

Our strategy has two key foundational areas which underpin the rest of our strategic activity; strategic change and sustainable business:

Strategic change

This foundation was previously called 'modernisation' which was a strategic change programme for AMP7. This covered people, technology, processes and data and looked at how these needed to evolve to enable us to achieve our strategy. One example of the modernisation programme was changing our ways of working in our wastewater function to group colleagues around geographical areas, to help improve our customer response times and to build greater understanding of issues specific to certain areas of Yorkshire, as well as including more technicians in our call centres to be able to diagnose issues more quickly when a customer calls us. Our modernisation programme is now drawing to a close, but there is more strategic change required so we have changed the name of the foundation to encompass all strategic change.

Sustainable Business

Our strategy is built on the foundation of long-term responsible business practices. In other words, we are seeking to do the right things today so we can keep going into the future. This includes looking after the health, safety and wellbeing of our colleagues, partners and everyone else impacted by our activities, and ensuring we have a stable and sustainable business financially, so that we continue to provide good value for our customers and all those who work with us. We have also now included compliance as a specific part of our sustainable business foundation, given its significance to our business. Our aim is for 100% compliance, with all of our statutory and regulatory obligations and all of our processes and procedures, 100% of the time.

Delivering our strategy

Last year we reported on the things that we had asked for in our Price Review 2024 submission to Ofwat, which were the things that we knew our customers wanted, were right for Yorkshire, and for the environment. We were delighted that Ofwat agreed with our plan and has allowed us £8.3 billion in funding for the five-year period which started on 1 April 2025. We know that now it is time for us to crack on, and we have spent the last year focusing on delivering the rest of our AMP7 plan and preparing for AMP8.

Amongst other things, this year has seen us:

- Doing right for customers through the completion of our new structure in wastewater around geographical areas, to enable faster responses to customers and better identification of issues when customers contact us;

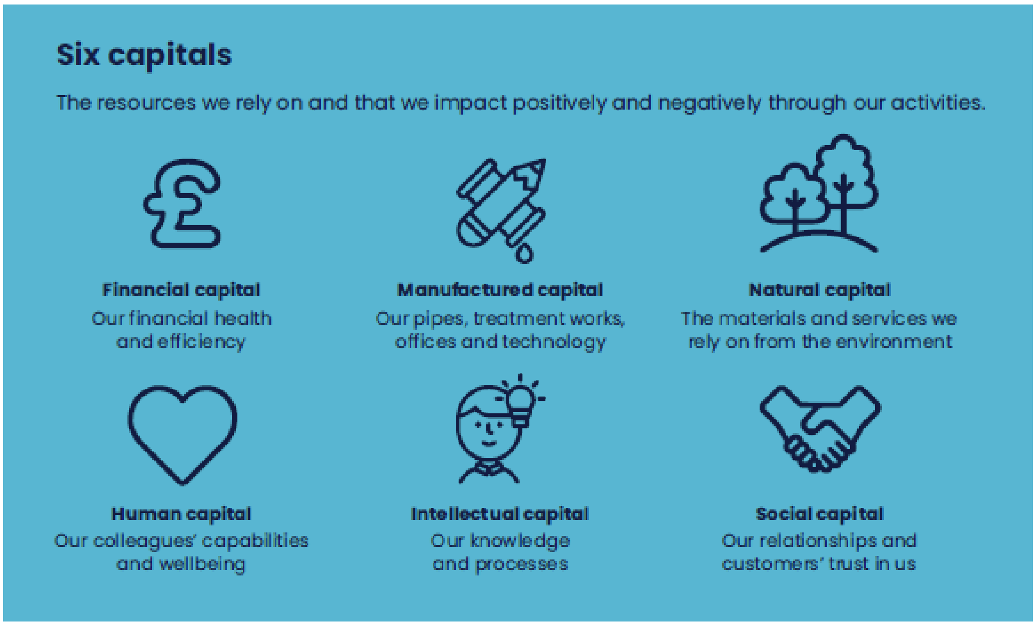
- Doing right for the environment through the delivery of over 300 projects under the Water Industry National Environment Programme, to reduce phosphorus in our Yorkshire rivers;
- Improving asset performance through £890m of investment, including upgrades to sewage pumping stations, improving our water and wastewater treatment works, and creating additional stormwater storage capacity;
- Creating an engaged high-performing team through the roll-out of a career toolkit across our organisation, to support our people in having careers-based conversations so we can identify how people want to develop and can ensure they are getting the right support; and
- Demonstrating a joined-up approach through the start of our new Storm Overflow Alliance, working collaboratively with other organisations to reduce storm overflow discharges through innovation and sharing best practice.

All of this has been done while driving our modernisation programme through to completion, and ensuring our business is on a sustainable footing. This includes a focus on our work being done safely and compliantly, while we continue to ensure we have financial resilience well into the future.

More information on how we are cracking on over the next AMP is contained throughout this report.

The six capitals

As part of doing what is right for customers and the environment, it is essential that we understand the impact that we have on our surrounding area, beyond just a financial impact. To do this we have used the concept of the 'six capitals' for a number of years and this influences key decisions that we make at Yorkshire Water.



The six capitals approach considers value in the broadest sense and helps us to understand the total value we deliver in six key areas.

Using the six capitals framework helps us to make more informed decisions with a fuller understanding of their wider environmental and social implications, both now and in the future. It also provides a means by which to measure progress towards our strategic objectives.

We undertake an annual assessment of the impacts of our business activities and investments, and we publish this in a report called Our Contribution to Yorkshire. This is available at yorkshirewater.com/capitals.

We also have a sustainable finance framework which enables us to raise debt to support the financing or refinancing of assets and expenditure of a sustainable nature. This means we can only spend the money raised on assets or expenditure that meet strict sustainable definitions, and we report back to our framework investors each year on how the money raised has been allocated and the impact that this has had from the perspective of each of the six capitals. You can find more details about the framework at https://www.keldagroup.com/investors/sustainable-finance/sustainable-finance-framework .

Our business model

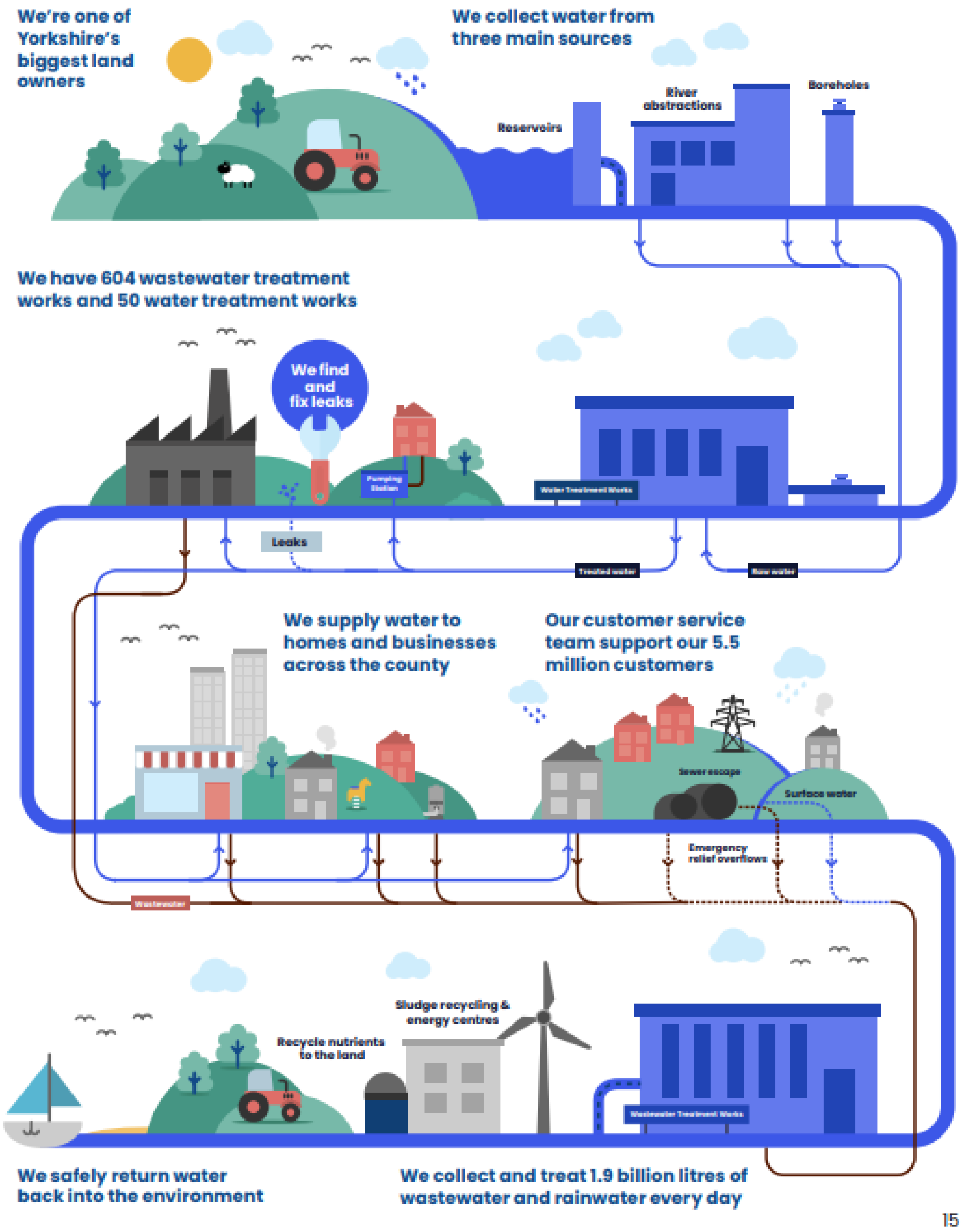
What drives us

The purpose set out in our Articles of Association is to conduct business and operations for the benefit of our members as a whole whilst delivering long-term value for our customers, the Yorkshire and Humberside region and the communities we serve whilst seeking positive outcomes for the environment and society. This aligns to our vision of a thriving Yorkshire, right for customers and right for the environment.

Resources and relationships

- We own and manage 603 wastewater treatment works, 50 water treatment works and 2,633 sewage pumping stations.
- We also own and manage a vast water supply network, including 115 reservoirs, over 100 impounding reservoirs, 50 groundwater sources, and just under 70,000 acres of land.
- We supply 1.3 billion litres of clean, high-quality water to 5.5m customers, including 2.3m homes and businesses daily.
- Yorkshire Water has 4,004 colleagues, of whom 90% are based in the Yorkshire region.
- We work with over 1,100 suppliers and partners, of whom nearly a third are based locally in Yorkshire.
- We work within a highly regulated framework. Our key regulatory bodies include Ofwat, the Environment Agency, the Drinking Water Inspectorate, the Health and Safety Executive, the Information Commissioner’s Office, and the Department for Environment Food and Rural Affairs.

What we do



We're one of Yorkshire's biggest land owners
We collect water from three main sources
Reservoirs
River abstractions
Boreholes
We have 604 wastewater treatment works and 50 water treatment works
We find and fix leaks
Leaks
We supply water to homes and businesses across the county
Our customer service team support our 5.5 million customers
Sewer escape
Surface water
Emergency relief overflows
Sludge recycling & energy centres
Recycle nutrients to the land
We safely return water back into the environment
We collect and treat 1.9 billion litres of wastewater and rainwater every day
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Creating value for our stakeholders

Customers

We create value for customers through providing clean, safe drinking water and removing and treating wastewater, and returning it safely to the environment. Our aim is to continually improve our services to customers, while spending their money wisely, and anticipating changing customer needs over time.

More information on what we are doing for our customers and how we engage with them can be found in our *Right for customers* section.

We have provided over £115m of support to customers since 2020.

We have improved our relative customer experience from 12th to 10th in the sector when comparing the previous Service Incentive Mechanism in 2019 to the Customer Measure of Experience in 2025.

Environment

We seek to minimise our environmental impact whilst protecting and enhancing our reservoirs, rivers, bathing waters, coastal waters and catchment areas.

More information on what we are doing for the environment can be found in our *Right for the environment* section.

We have invested £701.4m over the last five years into our Water Industry National Environment Programme, to improve the environment in Yorkshire through the removal of phosphorus from rivers.

We have reduced discharges from storm overflows by 23.6% since 2021.

Colleagues

We create value for our colleagues by ensuring they have the right level of support, opportunities for development, a safe and healthy working environment, and are fairly rewarded.

More information on what we are doing for our colleagues can be found in the *Our people* section.

Our colleague engagement has increased from 6.3 to 7.6 over the last two years.

Our Lost Time Injury Rate has improved by 39% from 0.23 to 0.14 since 2020.

Communities

We create value for the communities that we operate in by opening up our land for recreational use, providing educational programmes to local schools, and providing volunteering support to local charities and not-for-profit organisations. We also support the local economy, through employing local people, using local businesses in our supply chain, and paying rates to local government.

More information on what we are doing in our communities can be found in the *Our communities* section.

Our people have volunteered for over 7,000 hours over the last five years to support local charities, schools and not-for-profit organisations.

We have reached over 120,000 adults and children over the last five years with educational support relating to water, the environment and career pathways.

Investors

We aim to create value for investors by managing our risks carefully to ensure an appropriate return on their investment, as well as making wise investments in our assets to ensure growth and resilience over the long-term.

More information on the returns we are delivering for investors can be found in our *Chief Financial Officer's report*.

We have delivered a Return on Regulated Equity of 2.52% during the year.

Over the last five years we have invested nearly £3.0bn in our fixed assets to ensure resilience into the future.

Suppliers

We create value for suppliers by working in partnership with them and adhering to our Code of Ethics in our dealings with them, as well as our Modern Slavery commitments.

More information on our engagement with suppliers can be found in our *Section 172(1) statement*.

During the year we have paid our suppliers on average within 34 days.

Our latest investment programme will support an average of 8,000 jobs within our supply chain.

How we apply money from our customers

Every £1 Yorkshire Water receives from our customers is broken down as follows:

- 48p pays for the day-to-day operational and people costs of running our business. This includes paying Yorkshire Water's 4,004 colleagues who work hard to keep water flowing every day, from our call centre colleagues to our engineers who fix the pipes, and keeping our huge network running across the whole of Yorkshire.
- 17p is spent on making improvements to our ways of working. This includes investing in new technology and innovations so we can do things better for customers and the environment.
- 7p pays for all the energy it takes to supply clean drinking water to our customers and take away and treat wastewater.
- 23p goes on funding the financing that we use to invest in assets. We have to invest in our assets to make sure our services can continue into the future, and we borrow money to fund this investment,

and pay it back over time to debt-holders, in the same way that someone buying a house takes out a mortgage and pays it back over time. This means that the cost is fairly spread across generations.
5p goes towards the taxes and licenses we need to pay to deliver our services.

If you want to know more about our customer bills, visit https://www.yorkshirewater.com/bill-explained.

Yorkshire Water in context

The water sector

There are 11 water and sewerage companies in England and Wales and six water-only companies. Yorkshire Water is the fifth largest of the water and sewerage companies.

Many of the companies in the sector are privately owned, with shareholders ranging from members of the public to pension funds, businesses or other investment funds.

A regulatory framework is in place to seek to ensure customers receive high standards of service for a fair price. Under this framework there is a five-year Price Review process, where all companies in the sector submit a business plan to Ofwat, having consulted with their customers and stakeholders and taking into account their statutory and other obligations. These business plans set out the services they want to deliver and the investments they need to make over the next five years. These are reviewed by Ofwat and they then decide how much companies can charge customers for the next five years.

The latest pricing decisions made by Ofwat were published in December 2024 as part of the 2024 Price Review, which is also known as 'PR24'. This has set the prices which can be charged by the sector from 1 April 2025 to 31 March 2030.

Each five-year period is called an Asset Management Period or 'AMP'. The current AMP from 1 April 2025 is known as AMP8 as it is the eighth AMP since the water sector was privatised.

Independent Commission into the water sector and its regulation

In October 2024 the Government announced a full review of the water sector and its regulation, led by Sir Jon Cunliffe. The aim of the review is to help ensure a sufficiently robust and stable regulatory framework to attract the investment needed in the sector to achieve better environmental outcomes, faster infrastructure delivery and improved public confidence.

At Yorkshire Water we have welcomed the review and have provided a considerable amount of evidence and information in response to the Call for Evidence that was published on 27 February 2025. We expect the final report to be published later this year..

Climate change

Climate change is impacting everyone across the world, and the water sector is no exception. Severe weather events have significantly impacted the sector in recent years with both drought conditions and extremely heavy rainfall. In the period from September 2024 to January 2025, there were five named storms in the United Kingdom, compared to ten in the previous year and just one in the year before that, showing the significant variability in the weather each year. The calendar year 2025 has also seen the driest Spring in Yorkshire for 132 years. Such events have a crucial impact on our clean water and wastewater networks and we have set out where this impact has been felt elsewhere in our report.

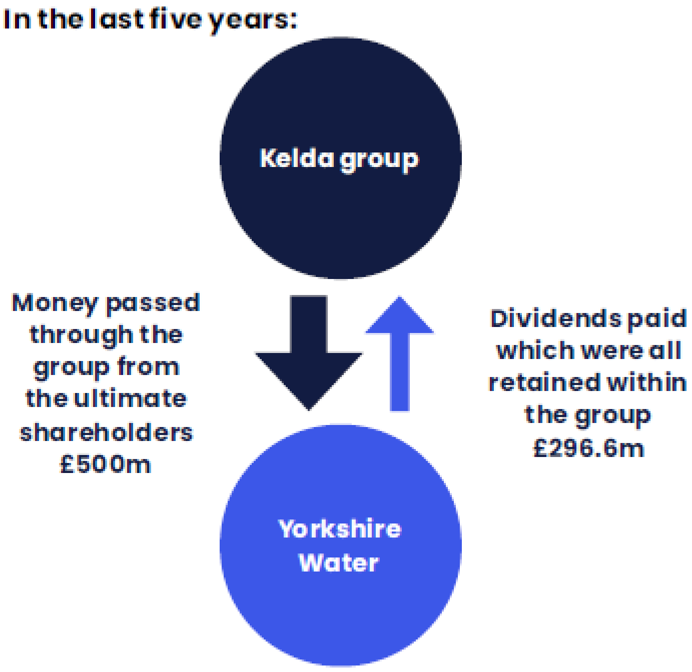
Cost of living

The cost-of-living crisis has continued to impact many of our customers and communities during the year, particularly as food, energy and rental costs have remained high. We have continued to offer support to those who are struggling to pay their water bills through various schemes that we have in place. We cover these in more detail in our section on *Right for customers*.

Media perceptions of the sector

There has been much in the media about the water sector over recent years, in particular in relation to dividends, executive pay, wastewater discharges into rivers and coastal waters, and drinking water quality. We know that trust in the sector is low and we are doing what we can to restore that trust.

Yorkshire Water, over the last five years has paid dividends of £296.6m, however none of this has been paid to our ultimate shareholders. It was all retained within our group and used to repay interest and capital on loans held at a group level. In addition, in 2023 our shareholders invested a further £500m into the group, which was paid to Yorkshire Water in two parts as repayment for an existing intercompany loan.



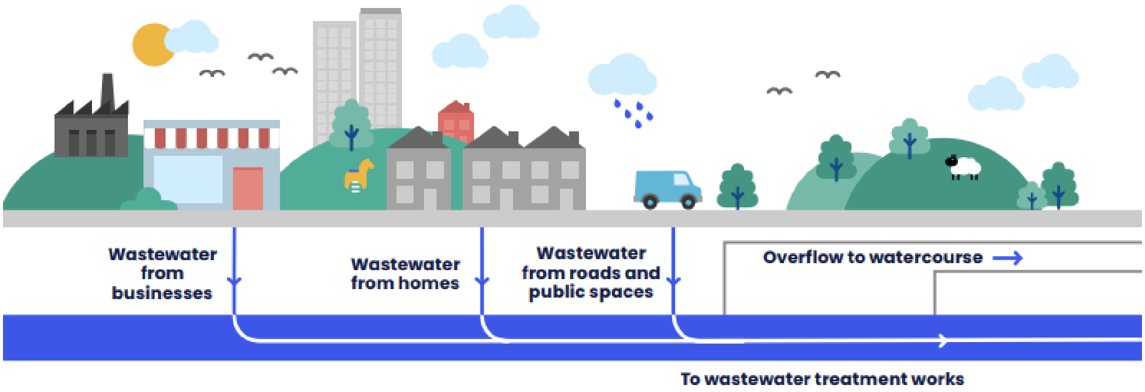
Before any dividends are approved, our Board considers the current and future financial needs of the business, whether the business is delivering for customers and the environment, and whether risks are being managed appropriately and the business is being run efficiently.

We are grateful to our shareholders for their continuing support of the business, and in particular our significant investment plans.

Decisions on executive remuneration are taken by our Remuneration Committee, which is entirely independent from our executive directors, who have no say in what they are paid. The Committee has clear processes in place to ensure that our executives are paid fairly, are not paid for poor performance and that any measures used to calculate variable pay are independently assured before any payments are made. More information on our executive pay can be found in our Directors' remuneration report.

Wastewater discharges into rivers and coastal waters are a matter of great public concern and we entirely understand why. We remain focused on eradicating harm from wastewater discharges. This is something that everyone in Yorkshire Water wants to achieve, but it is not something that can happen overnight.

The wastewater network is designed to allow the discharge of very dilute wastewater into watercourses when the network becomes too full, as this prevents wastewater from flooding our homes, gardens and streets. The picture below illustrates how these storm overflows operate:



Whilst the whole water sector has committed to reducing the number of these discharges, a study by Stantec has shown that around 55% of the cost of meeting Government requirements in this area falls on Yorkshire Water and United Utilities, whose customers make up only 22% of the population. This reflects the high number of combined sewers in these areas and the higher rainfall. Combined sewers are those which collect both surface water and wastewater.

It is a lengthy and expensive process to add significant additional capacity to the wastewater network, particularly in an environmentally friendly way, but we have detailed plans in place to do this over time, and we are making significant investments in this area. Further information on this can be found in our *Right for customers* section.

Drinking water quality in this country is verified by extensive sampling at all stages of the treatment and distribution process, including at customer taps. Compliance across the sector is consistently high, with 99.97% compliance across nearly four million tests. The United Kingdom is one of only four nations in the world with the maximum score possible for Sanitation and Drinking Water in the 2024 Environmental Performance Index produced by Yale University, showing that our drinking water quality is amongst the best in the world.

What makes Yorkshire different

We love the county in which we operate and our ambition is for a thriving Yorkshire. There is much that is breathtaking about our county, but there are also some factors that influence our performance which are unique to Yorkshire.

Yorkshire has the second lowest household income in England, and the second lowest disposable income. We have around 320,000 customers on a very low income or benefits, and 188,000 customers who are in ‘water poverty’. Water poverty means that the water bill is more than 5% of the disposable income of the customer after other housing costs have been taken into account.

Employment in Yorkshire is also below the national average, and in the 2021 census almost 7% of the population in Yorkshire classified themselves as either not speaking English at all or not very well.

All of these factors increase the importance of the affordability of our bills, as well as how understanding and inclusive we are in our interactions with customers. You can find out more about how we approach our customers, and the support we provide to our most vulnerable customers in our *Right for customers* section.

As well as the second highest proportion of combined sewers in the country, as noted earlier, we also have a very high number of properties with cellars at 262,000, compared to other companies in the sector. These two factors, along with high urban rainfall, means that Yorkshire is more susceptible to sewer flooding. We are working hard to significantly reduce the number of sewer flooding incidents each year and we have achieved considerable improvements in this area, but are still falling short against the targets set for us by Ofwat, which is something we are continuing to focus on. You can find out more about what we are doing to improve further in our *Right for customers* section.

Annual performance review

Each year Ofwat publishes an annual review of water company performance. Having been considered 'lagging' for the two previous years, we were pleased to have moved up to 'average' in the report published in October 2024. Whilst no companies in the sector were considered 'leading', clearly that is our goal and we are continuing to work hard to improve our performance.

More information on our operational performance in the year can be found later in this report.

Yorkshire Water

The following sections review Yorkshire Water operations and Yorkshire Water's financial and non-financial performance criteria.

Right for customers

We want our customers to find us easy to interact with, to know that we care about them, and to see the value that we bring.

Our people really care about our customers and we have introduced a number of changes in the year to try to improve the experience of our customers:

We have changed our internal structures – we have reorganised our wastewater response teams into geographical regions, and created new technical roles within our call centre, so that when a customer calls we can have a better understanding of the issue upfront and how we can resolve it.

We have upgraded our technology – we have improved some of our systems so that we have better real-time information to give to both colleagues and customers, which helps us manage our customer visits more effectively.

We have created new digital channels for customers – we have continued to develop our digital channels, which can help customers report issues and track their job status. Customers can also view their bill and make payments online, as well as notify us of changes such as house moves. Over 50% of customer interactions are now completed via our digital channels.

We have implemented a new service for bottled water deliveries – when things go wrong, we now have a new service model for getting bottled water to our vulnerable customers, which means they will all get water within five hours of an incident being identified.

We do not get it right all the time and our Executive team and senior leader group have spent time in the year looking at specific customer journeys that have not gone to plan, to understand how we can prevent this from happening again.

Our behaviours have recently been updated and now reflect the attitude that we want all colleagues to display when they interact with customers, by ‘bringing your best’, ‘making it better’, and ‘seeing it through’.

How we listen to customers

We want to hear from our customers so that we can understand what matters to them and how they are feeling as a result of their interactions with Yorkshire Water.
We engage with our customers in multiple ways:

- Through our daily interactions; by monitoring calls and complaints, sending surveys to customers via text message, reviewing website interactions and our social media channels;
- Through our Your Water online community, which is a bespoke community that allows customers to provide quick and effective feedback, informing our strategic initiatives and future plans;
- Through tailored research to understand specific customer needs and preferences, to support immediate service improvements as well as long-term planning;
- Through the Your Yorkshire Water, Your Say platform, which is an independently run session which allows customers to ask questions and provide feedback on various topics; and
- Through the Yorkshire Forum for Water Customers, which is an independent group that challenges and guides us to ensure customer views are reflected in our business plans and performance commitments.

During the year we have also spoken to customers about what they want to hear from us, and how they would prefer to get this information. As a result of this, we developed a campaign plan to raise awareness of what we are investing in, what action we are taking to take care of our customers and how we are making improvements for Yorkshire and the environment.

We ran the ‘Doing Right by Yorkshire’ campaign during an eight-week pilot across Leeds using multiple channels and messaging approaches. The campaign was successful, with customer trust, and perception scores increasing during the campaign. We are now looking to embed this campaign into our wider brand and communication strategy.

Our customer experience measures

Our customer experience is measured through an Ofwat metric called the Customer Measure of Experience (C-MeX). We also have a Developer Measure of Experience (D-MeX) which measures the experience of housing developers who interact with us. These measures are applied to all water companies so that the ratings can be compared across the sector.

This year our C-MeX rating was tenth out of 17 companies, including water only companies, across the sector.

Key measure: C-MeX Ranking:

- **2024: 9th against a target of 10th**
- **2025: 10th against a target of 8th**

Our D-Mex rating was 16th, despite our scores improving on the prior year.

Key measure: D-MeX Ranking:

- **2024: 15th Position against a target of 9th**
- **2025: 16th against a target of 9th**

We are extremely disappointed to have missed our targets on both measures, and particularly to be so far away from our target on D-MeX. Our ambition is for Yorkshire Water to move to being a top quartile company and we are putting a lot of work in to achieve this.

We have moved to a new delivery partner in March 2025, which should help us provide a better service to customers. We are also replacing more of our technology systems to enable our customer-facing colleagues to have better data when they are interacting with customers.
For developer services we have already implemented greater use of technology to make the customer experience easier and more effective. We have also spent time with our developer customers to gain insight into the areas in which we need to improve, which is now built into our delivery plan for the next AMP.

Handling complaints

In September 2024 we asked the Consumer Council for Water to complete an assessment of our complaints processes and customer experience. We were really pleased that they noted that our customer-focused culture shone through and were impressed by the quick resolution of complaints, the empowerment placed in our colleagues to get it right for customers and the best practice use of different communication channels. Their assessment also highlighted areas for opportunity and improvements, which we have now implemented.

Supporting our more vulnerable customers

We know that some of our customers need extra help and we have retained our ISO 22458 accreditation in the year for Inclusive Customer Service. The standard requires us to demonstrate that our systems, processes, and organisational commitment is right for all our customers, regardless of their needs.

During the year we launched our 'By Your Side' strategy that seeks to ensure we deliver high standards of service and support to all customers. Through this strategy we offer customers a variety of additional support; including using ReciteMe and British Sign Language on the Yorkshire Water website, adding 'translation services' to our Priority Services Register to help customers who speak English as a second language, directing customers to support outside of Yorkshire Water, such as financial and mental health services, and offering free leak repairs for customers struggling to pay their bills.

During the year we have been focused on increasing the number of customers registered for our Priority Services Register. Being on the register gives customers access to services such as bills in alternative formats; bottled water in the event of a water outage; access to an interpreter to communicate with us; or a password for additional security should we need to visit their property.

In the last year, we have increased the number of customers on the register by 30,000.

This is a regulatory target, and we are pleased to have exceeded our target for the year. This is the final year of this measure as a performance commitment, but this is an area on which we will continue to focus to make sure we are doing right for customers.

Key measure: Percentage of customers on our PSR:

- **2024: 9.2% against a target of 9.1%**
- **2025: 10.6% against a target of 10.0%**

How we are cracking on

We are making a number of improvements to our customer systems, to make it easier for our customers to interact with us, and to improve the information available to our colleagues when they are responding to customers. By using artificial intelligence, and video and photograph upload technology, we will be able to get to the right outcome for customers more quickly.

Making sure water is always there

We collect, treat and distribute 1.3 billion litres of water every day. This is equivalent to around 500 Olympic-sized swimming pools.

We want to ensure that we have the resources available to continue to provide the water that Yorkshire requires, so we have a long-term plan in relation to this. The latest version of our Water Resources Management Plan was published in January 2025 and can be found on Yorkshire Water's website. This sets out how we will ensure that demand is carefully managed, while supply is increased to meet demand as the population grows. The Plan contains a number of initiatives which will be implemented over the next ten to 15 years.

This year demand was slightly higher than the previous year, and the summer of 2024 was dry, with June, July and August ranked as the third driest in the past 28 years. 2025 also saw the driest Spring in Yorkshire for 132 years. We ended the financial year with water stocks at 87.0%, which is the lowest year-end level since 1996. We are continuing to monitor this closely as the year progresses and are taking steps to try to ensure that there is enough water where it is needed around our region as we go through the summer.

Reducing leakage

Part of our work to ensure there is always enough water involves reducing leakage as far as possible. In 2020 we committed to reducing leakage by 15.1% by 31 March 2025 and we are delighted to have achieved this.

Key measure: Percentage reduction of leakage from 2020 baseline:

- **2024: 12.7% against a target of >11.7%**
- **2025: 15.1% against a target of 15%**
- **2026: Target set at 18.4%**

We have achieved this through our Leakage Reduction Plan, which combines several initiatives around a 'Prevent', 'Aware', 'Locate' and 'Mend' model.

This included deploying more acoustic loggers across our water network to help detect and locate leaks. These loggers enable us to pinpoint leakage more accurately.

During the year we replaced 3,000 acoustic loggers, bringing the total number of devices in operation to over 32,000 since the roll out began in 2018.

We have also created a Digital Twin Network, covering 120 of the most challenging network areas, which accounts for 13.5% of the total leakage on our water network. By integrating low pressure and acoustic data within a computer model, we can identify areas of our network which are underperforming and can investigate and rectify issues faster.

Using smart meters to reduce water loss

In January 2025 we transitioned to smart meters for new housing developments and customers replacing their meters. We now have smart meters at over 100,000 properties, where customers benefit from early leak detection and water loss prevention.

The smart meter programme is currently focusing on South Yorkshire in 2026, with expansion then planned into West Yorkshire.

Managing pressure on our network

We have also been able to reduce leakage by managing pressure fluctuations on our network, which helps to reduce strain on our pipes and reduces bursts. We do this through Smart Pressure Control Valves which help to stabilise the average network pressure. Over the past year, we have installed an additional 326 valves, taking the total number to 1,226 across the network, benefitting over 900,000 properties.

We also recently completed a city-wide resilience scheme in Hull, which controls the water flow and pressure to over 100,000 properties. We are now working with industry experts to expand this model to other cities across Yorkshire.

Interruptions to water supply

During the year we have seen a reduction in the number of customers experiencing water supply interruptions lasting over three hours, compared to the previous three years. The majority of long duration interruptions in the year were caused by power failures and third-party damage to our water network.

Key measure: Water supply interruptions (Mins : secs):

- **2024: 10:35 against a target of <5:23**
- **2025: 8:27 against a target of 5:00**
- **2026: Target set at 5.00**

We understand the importance of being able to quickly restore services to customers whenever a supply interruption occurs, and we have been focussing in the year on the delivery of several initiatives to bolster our response to service failure. For the first time we now have exclusive access to four dedicated emergency tankers, available around the region, 24 hours a day, 365 days a year to help minimise interruption to supply and make sure any customer impact is minimal. We are also focussing on the root cause of failure to reduce the frequency of interruption events through further optimisation of our network and reducing operating pressures and increasing resilience.

Water quality

Drinking water quality in the United Kingdom is amongst the best in the world, with the United Kingdom being one of only four nations across the globe with the maximum score for Sanitation and Drinking Water in the 2024 Environmental Performance Index produced by Yale University.
We want to maintain that high standard, and so have intensified the large-scale maintenance activities on our water network. These include flushing our water mains to remove the non-harmful iron and manganese deposits that naturally accumulate over time.

Despite these efforts and the high quality achieved, we saw a slight increase in the number of customers contacting us regarding their water quality. Such contacts mostly relate to milky water, taste and odour, but are not necessarily indicative of poor water quality.

Key measure: Drinking water contacts per 10,000 properties:
- **2024: 8.9 against a target of <8.9**
- **2025: 9.4 against a target of <8.1**

New measure set as; drinking water contacts per 1,000 properties:
- **2026: Target set at 0.84**

Whilst these increases in contact levels are disappointing, our long-term trend remains positive we have improved considerably from the opening position of 11.4 in April 2020.

To further improve performance, we are focusing on better communication to customers, alongside more investment in our network, which includes upgrading water pumping stations, installing further Smart Pressure Control Valves and replacing 238km of pipes over the next five years.

Compliance Risk Index

Another measure of water quality is our Compliance Risk Index score, which is a measure from the Drinking Water Inspectorate that tracks the quality of our water. We have continued to invest in our treatment and distribution assets to ensure high levels of water quality compliance, as well as seeking to improve the environment in our raw water catchments to improve the quality of the water that we treat.

Key measure: CRI score:
- **2024: 9.27 against a target of 0.00**
- **2025: 3.61 against a target of 0.00**
- **2026: Target set at 0.00**

We are delighted with the significant improvement from the prior year, which reflects the investments made in our assets and treatment processes.

How we are cracking on

Over the next five years, we will focus on improving our asset health and network resilience in a number of ways:

We have a huge water mains renewal programme that will see us delivering 225km of renewals in 2026, which is more than in the whole of the last five years. By 2030 we will have renewed 1,085km of water _mains, which is further than travelling from Lands End to John O'Groats. Replacing water mains reduces leaks and bursts, and also reduces the risk of any taste or odour issues._

We will also be completing two new service reservoirs at Harton and Malton, both near York, which will provide more water to support new homes in the area. We also have plans to upgrade and refurbish water treatment works across the region over the next five years.

Keeping wastewater in our pipes

We collect approximately 1.9 billion litres of wastewater every day from homes and businesses across our region. Our job is to treat this, along with rainwater from roads, driveways, roofs and public spaces, and return it safely to the environment.

At times, mainly due to blockages, wastewater can escape from our sewer network and can cause sewer flooding incidents, either internal or external to a customer property. We know that this is an awful thing for customers to experience, and therefore we are prioritising improving our sewer flooding performance.

We have invested significantly in our wastewater operations over the last five years, and have moved to a geographically based internal structure to help improve our planning, scheduling and response processes. We are pleased to have seen a significant reduction in both internal and external sewer flooding events since 2020, at 52.8% and 20.4% respectively.

In the year we have beaten our target for external sewer floodings and achieved our best ever performance for internal sewer floodings, but we know there is more to do.

Key measure: External sewer flooding incidents:

- **2024: 5,873 against a target of <6,053**
- **2025: 5,684 against a target of <5,674**
- **2026: Target set at 23.05 per 10,000 km of sewer**

Key measure: Internal sewer flooding incidents per 10,000 km of sewer:

- **2024: 2.78 against a target of <1.44**
- **2025: 2.21 against a target of <1.34**
- **2026: Target set at 1.54**

We are disappointed not to have met our stretching target on internal sewer flooding. We know that 310 of the 530 incidents in the year were the result of blockages, and we have expanded our efforts to tackle this problem, including increasing our campaign to educate customers about what not to flush or pour down the sink. The campaign has been targeted at 'hotspot' areas across the county and has seen an 18% reduction in soft blockages, a 22% reduction in internal sewer flooding, and a 13% reduction in external sewer flooding in those areas.

Case study: Customer Sewer Alarm Award

We have invested significantly in the last year in network monitoring and have deployed 40,000 customer sewer alarms, with the aim of reducing internal and external sewer flooding. These devices provide alerts when the pressure within the gully exceeds a threshold for a sustained period of time. The alerts trigger proactive interventions to clear blockages before they impact the customer.

This project received the Smart Water Networks Award in the year and we are planning to extend the programme with the deployment of a further 160,000 devices over the next five years.

Case Study: Micro POP Bio-Blocks

In October 2024, we teamed up with Cobra Hydra UK Limited to install 'Micro POP Bio-Blocks' within the sewer network in the first large-scale deployment in the UK. The dosing blocks are environmentally friendly and slowly dissolve in the sewer, releasing microbes and enzymes that help to break down fats, reducing the likelihood of blockages. The trial has been running for a year in central York, and we have seen fantastic results with a significant reduction in the number of incidents where the blocks were installed.

Keeping our services affordable

We are very aware that many of our customers continue to be impacted by the cost-of-living crisis and a significant increase in household expenses.

We also know that over the next five years our customer bills will increase, with the largest increase being an average of £11 a month in 2026. We know this is too much for some of our customers. As part of our business plan for the next AMP we have made sure that we have built in additional support for customers who will struggle to pay their bill. We will be helping 345,000 households across the next five years through our bill reduction schemes. That is 100,000 more households than in the last five years.

Our bill help includes:

- Tailored payment arrangements;
- Bill reduction schemes;
- Income maximisation referrals for low-income customers across our region;
- Debt support, including payment matching schemes and Community Trust hardship payments; and
- Signposting external help including well-being, financial and debt support.

Throughout the year under review, we have continued to target our bill help towards those customers who require additional help the most. Utilising robust data sources and partnerships across the region, we have ensured our help has reached those geographical areas and customer segments that are most under-represented.

We have two regulatory measures that focus on affordability. The 'Direct Support to Customers' performance commitment demonstrates the extent of the bill support we provide for customers with greatest financial vulnerability.

Key measure: Number of customers provided with bill support:

- **2024: 124,396 against a target of ≥79,000**
- **2025: 166,906 against a target of ≥83,000**
- **2026: Target set at just over 200,000**

We continue to significantly overperform this measure and have provided £45m worth of bill reductions this year for customers in the most vulnerable circumstances.

The largest volume of support continues to be provided through our social tariff, WaterSupport. This scheme reduces customer bills to a fixed amount, regardless of consumption. For the third year we have been able to further reduce this tariff through Yorkshire Water funding, this year only increasing charges by inflation. This has protected customers with the lowest incomes from other bill increases.

What schemes do we have to provide financial support to our customers?

WaterSure: This is a bill cap scheme for customers who have a water meter, claim an income-based benefit, claim Universal Credit and need to use extra water because they have a medical condition or three or more children.

WaterSupport: This is a bill cap scheme for customers who have a low household income below £20,000 or below £26,000 with dependents.

Yorkshire Water Community Trust: This is a debt support scheme, funded by Yorkshire Water, for customers who have arrears with Yorkshire Water between £50 and £1,500 and at least one priority debt.

Water Direct: This is a debt support scheme for customers who receive a deductible income-based benefit.

Resolve: This is a debt support scheme for customers who are struggling to catch up on previous water bills.

Our second regulatory measure is in relation to 'voids', which is the number of properties in Yorkshire that do not receive a bill.

Key measure: Percentage of voids:

- **2024: 3.66% against a target of ≤3.98%**
- **2025: 3.77% against a target of ≤3.80%**

By minimising the number of unbilled properties, we help to keep bills lower for all customers in future years. The weighted average voids performance for the full year has continued to exceed our target.

Our support for customers in vulnerable circumstances continues to benefit significantly from the additional £15m investment we reported in 2022, to help customers through to 2025. This year the investment enabled us to maintain the increased funding into the Yorkshire Water Community Trust; provided significantly more customer bill reductions via our social tariff; allowed us to fund an additional bill reduction for customers on the national tariff, WaterSure; and maintain all our initiatives from last year to reach the customers who are struggling the most.

Our ambition over the next five years is to further expand the help we provide for bill affordability. In our PR24 Business Plan, we have committed to providing:

- Financial support for over half a million customers over the five-year period;
- Water bill support for 345,000 customers; and
- Over £350m worth of financial support across our suite of help schemes.

Utilising customer insight and population data from across our region we have continued to expand how we support customers by working with others. For example, we have;

expanded our broad spectrum of signposting practices for those customers needing help beyond their water bill. This includes such organisations as health, energy and debt support organisations;
continued to support customers referred via 'Breathing Space' legislation by paying their water charges during the 60-day period;
auto-enrolled customers on to bill reduction schemes where data can verify eligibility without customers needing to apply.

How we are cracking on

As part of our plans for the next five years we have transformed our social tariff to ensure it meets the needs of low-income customers across our region.

We have evolved the bill reductions we provide for customers through WaterSupport to be more tailored to meet customer circumstances. Rather than a single, capped tariff for all, as provided in the current AMP, from next year our social tariff will provide three levels of discount based upon customer household incomes. This will ensure those customers with the lowest incomes across our region can access a bill affordable to them.

As the tariff is funded by both Yorkshire Water and customer cross-subsidy, this approach also ensures that we can utilise the funding we have available for the tariff in the most effective way.

Right for the environment

Our environmental performance has not been where we want it to be, with a number of our measures worsening over the last year. We are taking this seriously and have been doing a lot of work to investigate the reasons for this and what we can do to put it right. We are extremely disappointed that the number of pollutions in the year has risen, and we are doing all we can to ensure our performance improves across all of our measures.

Over the next five years we are delivering a huge investment programme which will improve our environmental performance. £1.5 billion will be invested in reducing monitored discharges from our storm overflows. We have set up a new Storm Overflow Alliance specifically to deliver this, which means we are working in alliance with other organisations to deliver innovative and cost-effective solutions.

We will be investing £165m to reduce our overflows into coastal waters, and we aim to get 16 out of our 21 bathing waters to a good or excellent status within the next five years.

Our environmental principles

During the year we have worked on a new set of principles through which we make environmental decisions. These include:

- Catchment thinking, which means thinking about entire catchment areas when making investment decisions. A catchment is the area of land that contributes to a specific water body, such as a river, lake or reservoir;
- Nature First, which is our commitment to using nature-based solutions as our preferred way to deliver services. There is more on this later in this report.;
- Partnership working, which means we will work collaboratively with our partners to achieve common objectives for the benefit of all; and
- Being data led, which means we will always base our decisions on data and evidence.

The principles also set out our aims to reduce our impact on the water environment, improve the resilience of our water resources, reduce our carbon emissions to net zero, and adapt to the challenges of climate change. More information on all of this can be found later in the report, as well as in the section on *Right for customers*.

Serious pollutions

We are extremely disappointed to have seen an increase in the number of serious pollution incidents in the year, from five to 13. A 'serious pollution' is one that is considered to have had a serious or significant impact on the environment. We know that any serious pollution is one too many, and we want to take every single possible step to ensure we are doing what is right for the environment.

In January 2025 our CEO, Nicola Shaw, personally led detailed investigations into each of the serious pollution incidents in the 2024 calendar year, to understand the root causes and review the investigations undertaken at the time of the incidents, to ensure the right actions had been taken to prevent these incidents from occurring again, either in the same location or in other parts of our sewer network. We found that some of our processes and procedures needed updating, and we need greater assurance that these are always being followed. We have made a number of changes as a result of these investigations, and are continuing to look for ways to improve as we embed a culture of 100% compliance, 100% of the time. We are making substantial investments, however given the challenges we have uncovered, we expect 2026 to continue to be a difficult year for pollutions and serious pollutions.

Pollution performance
Key measure: Pollution incidents per 10,000 km of sewer:

- **2024: 26.21 against a target of 22.40**
- **2025: 28.89 against a target of 19.50**
- **2026: Target set at 25.02**

Reducing all pollutions is a priority for us but we have seen a decline in our overall pollution performance in the 2024 calendar year to 151 incidents, with 13 of these classified as serious. As noted above, we take this extremely seriously and are spending much of our time focusing on how to improve our performance, from our frontline colleagues all the way to our Board. We are fully aligned in our desire to achieve zero serious pollutions.

We have taken immediate steps, for example, refreshing our pollution training which is being rolled out across frontline wastewater operations in face-to-face interactive sessions. Our senior leader population has also undertaken e-learning on pollution at the start of the 2026 financial year, and now report back on pollution risk when they visit our sites.

Furthermore, we have also reviewed, revised and accelerated our investment strategy to reduce pollutions using new technology as well as investing to improve the resilience of those assets most at risk of failure.

During the year we have also recruited a dedicated Pollutions team, to improve our response times when the risk of an incident is detected, using the right equipment to investigate and prevent incidents, or reduce their impact. We are now looking to replicate this approach in other parts of our business.

Storm overflow discharges

We are pleased to report that we have seen a reduction in the use of storm overflows in the year, with a 20.6% reduction in the number of discharges. Normalising this performance to account for rainfall, shows that a reduction of 10.2% has still been achieved.

This improved performance is a direct result of our capital investment, including a dedicated £180m for storm overflows, alongside our River Health team of technical specialists focused on optimising asset potential to reduce storm discharges.

We have clear plans for the next five years to focus on high priority storm overflows, coastal overflows and high discharging sites to reduce environmental impacts and improve river water quality.

Building on our learning from AMP7, we will take every opportunity to maximise current asset potential, separate stormwater and slow the flow alongside managing stormwater with grey storage and blue-green nature-based solutions.

Case Study: Increasing storage capacity

We are seeking to increase storage capacity in many parts of our wastewater network. One example of this is upstream of Howden Wastewater Treatment Works, where we have increased the storage capacity with the use of precast panels. This work has provided an additional 4,000m3 of storage. This scheme will increase the resilience of our network, holding stormwater ready for treatment.

Wastewater treatment discharge permit compliance

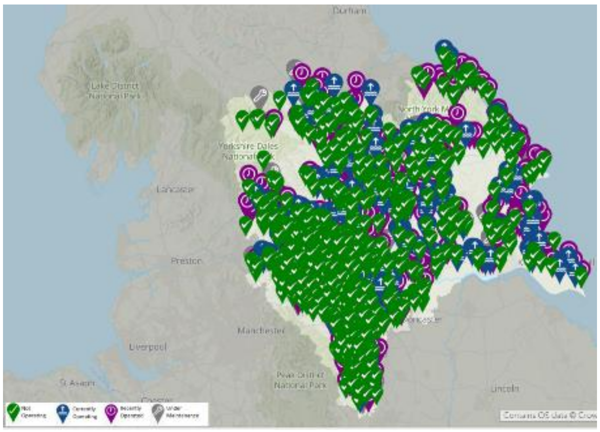
Key measure: Discharge permit compliance:
- **2024: 99.7% against a target of 100%**
- **2025: 98.4% against a target of 100%**
- **2026: Target set at 100%**

We have always had a strong track record in this area, and are very disappointed that we have had five failing wastewater treatment works this year, compared to just one in the prior year. We have taken robust steps to understand the root causes and have taken immediate corrective actions to get us back on track.

The Ofwat wastewater network investigation

In March 2022 Ofwat started a sector-wide investigation into the management of wastewater treatment works and networks. This investigation is being carried out in groups and Yorkshire Water was part of the first group of companies to be investigated. Ofwat announced their findings for Yorkshire Water in March 2025, and found that we had failed to meet some of our obligations and there were improvements to be made. We worked closely with Ofwat throughout the investigation to provide the information they needed, and we also took steps at the same time to strengthen our internal processes, which Ofwat recognised in their conclusions. We know that there is more for us to do and we have agreed a number of undertakings with Ofwat which will ensure compliance in these areas in the future. The undertakings include an additional investment of £36.6 million to bring forward work to improve the quality of rivers in Yorkshire over the next five years. We are obviously unhappy that our performance has not been as it should have been, and we are fully committed to improving the environment, which has been recognised by Ofwat, who praised our commitment to getting things “back on track as soon as possible” in their announcement.

Providing real-time data to our communities



In April 2024, we introduced a map to the Yorkshire Water website which shows all of our storm overflows and when they are operating, using near real-time data.

The map continues to be used regularly by community members and was viewed over 5,500 times between 1 June 2024 and 30 April 2025. We are continuing to be as open and as transparent as possible about discharges across our region and the location and intensity of these discharges.

Our real-time data map can be viewed on the Yorkshire Water website at www.yorkshirewater.com/environment/storm-overflows/live-map/

How we are cracking on

Over the next five years we will deliver our biggest ever environmental programme and will be investing over £2m every day in 2026 to improve how our assets perform. This includes upgrades to our treatment works, and improvements to storm overflows and pumping stations.

Over the next five years we will be making our wastewater network smarter by installing 92,000 new monitoring devices. These will help us spot problems before they occur and to take action sooner to prevent our customers being impacted.

We are bringing in more resource, and external help, to improve our response times and to increase our maintenance activities, which will also help to prevent more incidents before they occur.

Keeping our rivers healthy

Our rivers are more than just sources of water; they are places for people to enjoy, for wildlife to thrive and they sit at the heart of our communities. We know that our rivers are under pressure from urban development, pollution, and climate change and we recognise that we have a key role to play in improving our river health.

We primarily impact upon rivers in three ways, these are:

- **Abstraction**: This involves the extraction of water from rivers to supply drinking water to our customers. We do this in the most sustainable way possible to minimise the impact to river flow levels and preventing harm to river ecosystems. We monitor these abstractions very closely to ensure compliance with our permits in this area.

- **Treated effluent:** This refers to the release of treated wastewater back into rivers. We operate 603 wastewater treatment works across the region which treat wastewater from homes and businesses and safely return it to the environment.
- **Storm overflows**: In Yorkshire, the majority of our network is combined which means that when it rains, a proportion of the rainfall makes its way into our sewers. Storm overflows provide a relief valve for the wastewater when our pipes reach capacity, which happens more regularly in periods of wet weather. This activity is something that is legally permitted by the Environment Agency and published on our live storm overflow map. Unfortunately, we cannot just remove storm overflows from our network as this could result in sewage flooding into homes and businesses, and escaping into public areas.

Occasionally, when things go wrong, we can have uncontrolled releases from our assets which can lead to pollution incidents. We work hard to minimise pollution events, and we are continuing to invest in this area to minimise any impacts to the environment.

Our River Health team is now well established, with over a year spent driving improvements to help us achieve our vision for 'a thriving Yorkshire, right for customers and right for the environment'. The team is responsible for leading our enhancement of water quality across Yorkshire's rivers and the broader water environment.

Our Thriving Rivers Plan

We are launching our Thriving Rivers Plan as we embark on our largest ever environmental improvement programme over the next five-years.

This plan represents a pivotal step in our commitment to improve the health of Yorkshire's rivers. It outlines a comprehensive strategy that combines innovative practices to improve our own operations, with community engagement, and collaboration with all stakeholders, to tackle the challenges facing our rivers.

Our plan will focus on four key areas:

1. Enhancing our rivers by reducing the impact of our operations. For example, we will be reducing phosphorus by 75% from a 2021 baseline and reducing discharges to deliver an average of less than 20 discharges per storm overflow by 2030;
2. We will work collaboratively with others to look after rivers and work with the Rivers Trust to deliver solutions that benefit everyone;
3. We will use robust data to create our plans, and share them openly and transparently; and
4. We will create places for people to enjoy and wildlife to thrive.

We will be publishing updates as to how we are getting on with the delivery against each of our commitments on an annual basis, working towards our ten-year vision of 'a thriving Yorkshire, right for customers and right for the environment'

Yorkshire River Watch app

In December 2024, we launched our River Watch app which was developed with the Friends of Bradford's Becks and Aire Rivers Trust. The app allows our colleagues. volunteer partners and customers to report any issues about the health of our rivers, such as discolouration or odour.

Observations submitted into the app are fast-tracked through our call centre for assessment by our field teams, speeding up our response time to protect watercourses from any impact.

Case study: Improving the health of the River Aire

Knostrop is our largest wastewater treatment site, serving one million customers in Leeds. As part of our latest Water Industry National Environment Programme we have invested £60m in a new treatment process at Knostrop, known as Enhanced Biological Phosphurus Removal (EBPR) to cut down the amount of phosphorus in treated wastewater.

EBPR uses micro-organisms to remove large amounts of phosphorus from the wastewater before it is returned to the environment. It is a more sustainable, lower energy approach to wastewater treatment than conventional processes, helping us be more energy-efficient while also reducing our carbon emissions.

Reducing the amount of phosphorus in treated wastewater released from Knostrop will help improve local water quality in the River Aire. This project is a key part of our £500m investment in phosphorus reduction schemes across the region between 2020 and 2025, which is benefitting the health and quality of our rivers and waterways.

Our partnerships

Working in partnership with others in a joined-up approach is key to delivering our environmental goals and is a core pillar of our corporate strategy.

We are expanding our approach to partnership working across the region, and have recently embarked on a new partnership with The Rivers Trust and local member trusts, through which we will seek advice and expertise and work collaboratively to deliver solutions with a range of environmental benefits.

Similarly, through the Landscapes for Water programme in West Yorkshire, we are working with the National Trust and other partners to improve upland habitats and make our landscapes more resilient to climate change.

As part of our undertakings to Ofwat, which were signed in March 2025, we have also committed to contribute £3.4m to the Great Yorkshire Rivers initiatives to address the challenges posed by artificial barriers to fish passage. This is a partnership between Yorkshire Water, the Environment Agency and The Rivers Trust. This funding will be spent over the next five years and will reconnect at least 500km of rivers across Yorkshire.

The Water Industry National Environment Programme (WINEP)

The WINEP is a programme of work that water companies are required to undertake to fulfil their obligations arising from environmental legislation and UK Government policy. Each programme covers a five-year period, with the latest WINEP beginning in April 2025.

Our current WINEP includes requirements around managing and improving our land, protecting sources of clean water; managing the environmental impacts of our reservoirs and abstractions; and reducing the impacts of the wastewater we return to the environment.

This year we invested around £266m through our WINEP to improve the environment in Yorkshire and investigate the impact of our activities.

We completed over 300 WINEP obligations, including schemes to reduce the amount of phosphorus we discharge to the environment, installing fish passes to help fish migration in the Yorkshire region, conservation activities to tackle invasive non-native species, restoration of sensitive upland habitats, and installing new monitoring equipment at our treatment works and storm overflows.

AMP8 sees our largest ever environmental improvement plan to protect and improve the quality of water in our rivers and coasts. Over the next five-years, we will be investing to create cleaner, safer water environments that support recreation and biodiversity across Yorkshire and help our region thrive.

Nature First

We reported last year on our commitment to 'Nature First'. This is a commitment to pursue nature-based solutions as a preference over traditional infrastructure to deliver our services.

By using natural processes, or mimicking natural processes, to solve a problem or deliver a service, we can reduce our carbon footprint by allowing nature to provide some of our services for us, which means we are less likely to need new infrastructure. At Yorkshire Water we are transforming the way we work to unlock investment in nature-based assets such as sustainable drainage and treatment wetlands and we are working in partnership across Yorkshire to deliver catchment interventions.

Managing our land

With just under 70,000 acres of land, equivalent to around 44,000 football pitches, we are the second largest landowner in Yorkshire. With this ownership, comes great responsibility to the environment and to the communities in Yorkshire that use our land.

We work with our tenants and other partners to provide environmental benefits including:

- Peatland restoration
- Flood management
- Recreation
- Farming
- Wildlife habitat creation
- Biodiversity creation
- Carbon storage

Our performance commitment to conserve and enhance 15,239 hectares of land has been achieved in AMP7 and we have delivered this through a combination of environmental initiatives.

This includes land on Sites of Specific Scientific Interest, tenancies signed up to our Beyond Nature initiative, local wildlife sites and biodiversity enhancements, much of which we are delivering in partnership with others.

Our partnership with the National Trust, celebrated its first full year of work under the Landscapes for Water banner. The partnership will see us deliver moorland restoration works over some 5,500 hectares of land owned by the partners, which includes tree planting and the installation of natural flood management. So far 73,500 trees have been planted and 320 leaky dams installed across West Yorkshire.

This AMP has seen many interventions focussed on peat hag reprofiling and covering bare peat, and the installation of varying materials including stone, timber, peat, coir and heather in the grips and gullies to help retain more water on the moors by slowing the flow. There has also been substantial planting of dwarf shrubs and sphagnum helping to increase biodiversity and the resilience of these moorland landscapes.

Our Beyond Nature initiative

Most of our non-operational land is tenanted to farmers and throughout the AMP, we have continued with our Beyond Nature initiative with 10,791 hectares now managed under Beyond Nature agreements.

As part of this work, over 100 environmental surveys and 56 farm tenant consultations have been undertaken, and 98 funding advice meetings have helped tenants access grants and implement sustainable practices.

As we move into AMP8 we will be moving away from this being a standalone initiative, to the Beyond Nature principles being applied across all our tenancies, ensuring that we further develop our innovative and sustainable approach to landholding.

As part of the Beyond Nature programme we continue to work with RegenFarmCo, on a site called the Biohub at Ings Farm, which is being developed into a biological platform of social and ecological activity. The project is a regenerative agricultural initiative that is working to develop sustainable crops and ingredients.

Over time, the Biohub will create a continuous productive landscape to capture carbon, increase biodiversity, and produce food crops that are appropriate in our climate and environment.

How we are cracking on

To maximise value from our operational land estate, we review land use and opportunities on a case-by-case basis, taking into account sustainability and environmental benefits. Going forward, we are working on initiatives that include:

- *Having biogas converted and supplied into the national gas grid;*
- *Photovoltaic solar energy for direct supply to our operational assets with several sites now being developed for this; and*
- *Using partnership working to manage dormant operational land, for example, Sustainable Urban Drainage assets providing for water storage and ecology improvements in predominantly urban areas.*

Case Study: Woodland creation in Cottingham

In February 2025, community volunteers helped start the planting of a new 25-hectare woodland, which will see 38,325 native trees planted in collaboration with the Woodland Trust. The native trees are being planted on land around the Yorkshire Water pumping station, which provides clean drinking water to Cottingham and surrounding areas.

This project is funded by Defra's Nature for Climate Fund under the Northern Forest 'Grow back Greener' grant scheme administered by the Woodland Trust. This project is particularly important as East Yorkshire has significantly less woodland than other areas in the UK.

To date Yorkshire Water has planted almost 300,000 trees across its land, with more woodland creation schemes planned for 2026.

Working with others to restore biodiversity

Over the past five years, through our biodiversity programme, we have invested over £2.5m in conservation projects, collaborating with over 40 partners to restore over 900 hectares of habitats like reed beds and floodplain meadows, as well as conserving and re-naturalising over 180km of rivers.

To help drive action, we have funded ten roles with environmental partners, helping drive interventions around species conservation, wetland restoration, invasive species management and river restoration.

Chalk stream restoration

During the last year, we have worked with the Yorkshire Wildlife Trust and the East Yorkshire Rivers Trust to deliver river restoration benefitting 11km of chalk streams.

During AMP8 we will continue to work with partner organisations, regulators and local landowners to support a flagship restoration project on the Hull headwaters as part of the national chalk stream restoration strategy.

Case study: Freshwater pearl mussels

In the year, we have worked closely with the Esk and Coastal Streams Catchment Based Approach partnership to deliver a series of investigations and interventions to help deliver the Esk Freshwater Pearl Mussel strategy, protecting the last population in Yorkshire. We have worked with the Freshwater Biological Association to artificially rear thousands of juvenile mussels, funded monitoring studies and river habitat surveys, and funded officer time at the North York Moors National Park, to deliver habitat and water quality interventions in the catchment. Our evidence and stakeholder support has allowed us to drive forward AMP8 investment in the catchment which would otherwise have not occurred.

Understanding our habitats

In October 2024, we completed a multi-year field survey programme, identifying the types and condition of habitats across our estate. Over 24,000 hectares have been surveyed, helping us identify areas of high value to protect, and those of poor condition to improve. The surveys are helping us ensure we target the right investment in the right place and provide a baseline for the new AMP8 biodiversity performance commitment.

To ensure our investment is evidence based, we have also funded three Yorkshire-based PhD projects.

Bathing water

In Yorkshire, there are 18 coastal bathing waters and three inland bathing waters, two of which were newly designated in 2024.

In 2024 eight of these bathing waters were classified as ‘excellent’, four as ‘good’, three as ‘sufficient’ and five, including the three inland bathing waters at Ilkley, Knaresborough and Wetherby as ‘poor’. The remaining site at Skipsea is unable to be classified due to the bathing water being closed as a result of coastal erosion removing safe beach access at the site.

The bacteria monitored to determine bathing water quality can come from a variety of sources, including cattle, seabirds, dogs, humans, storm overflows, industrial discharges, and harbour activities. Environmental factors can also influence how and where bacteria are transported, and how long they survive. These external influences can all create significant challenges when trying to make improvements to bathing water quality. We continue to work in partnership with local councils, the Environment Agency and other key stakeholders to investigate potential sources of pollution and co-create solutions.

In AMP8 we are continuing to develop and implement improvement actions from the outputs of the investigatory work, and have committed to reducing permitted discharges into bathing waters to two per season by 2030.

Our planned investment includes more than £100m to reduce storm overflows from our assets within five kilometres of the newly designated inland bathing waters at Knaresborough and Wetherby.

Bioresources

During the year we have treated 141,518 tonnes of sludge at our wastewater treatment works and converted this into 90,675 megawatt hours of electricity. This represents an all-time high for our electricity generation.

At the start of the year, we established an Energy Generation team tasked with achieving quicker responses to sludge processing outages, reviewing our terms with key suppliers and creating long term plans to improve reliability. We are seeing the benefits as we end the year achieving record levels of performance.

During the year we have drawn up and launched a Bioresources Strategy, for which a key enabler is a plan for our flagship Sludge Treatment Facility at Knostrop, to be integrated with a neighbouring Energy from Waste plant which will provide 100% green heat and electricity.

How we are cracking on

Looking forward into AMP8, we see the start of a £391m investment into bioresources, which will enable us to install systems at three of our largest sites which will optimise our anaerobic digester performance and increase our electricity generation further, as well as rationalising our sludge processes at a number of other sites across the five years.

During the year we have been working in partnership with EcoClarity in Hull, and we are the first water company to open a fats, oils and grease reception facility, providing a convenient and efficient commercial option to dispose of fats, oils and grease, preventing it going down the sewer and causing production issues throughout the sludge treatment processes on our sites, and instead refining it into biodiesel.

Energy and carbon reporting

Our energy and net-zero strategies play a key role in ensuring our operational resilience and ability to adapt to climate change, transition to net-zero carbon and mitigate climate impacts. These aspects are addressed in more detail in our Climate-related financial disclosures section of this report. Our energy usage this year, reportable carbon emissions in tonnes of carbon dioxide equivalent (tCO2e), and our management approach and forward improvement plans are outlined below.

Energy

Following on from Energy Savings Opportunity Scheme (ESOS) audits last year, our Energy Strategy Group chaired by our Chief Financial Officer has overseen the prioritisation of identified opportunities and these have been set out in an ESOS action plan that has been submitted as required to Defra. The action plan includes a programme of work to deliver an annual efficiency of 25GWh by the end of 2027 and focuses on the improvement of our existing assets. We will also place additional focus on the energy efficiency of new assets (required to meet growth and tighter compliance), wherever these would result in significant new energy use.

We also have progressed plans to increase our energy generation using renewable forms of energy (biomethane, solar and wind), procurement via private wire agreement of renewable supply and long-term power purchase agreements for grid connected renewables. Over the next five years, we are expecting to reduce our reliance on purchased electricity from the grid by up to 20%.

The first of our solar projects came online towards the end of this year, and we have implemented further fuel switching and optimisation programmes to improve efficiency and self-generation.

We will also be investing in uninterruptable power supply and power circuit recovery systems. Alongside our energy efficiency and increased generation, this investment will increase our operational resilience for our operations and our customers.

The energy data in the table below is reported in line with the UK Government's Streamlined Energy and Carbon Reporting (SECR) requirement for qualifying large organisations to report their energy and use in kWh and energy intensity. Our overall energy use this year is broadly similar to the preceding year, however we have reduced our use of grid purchased electricity and increased our self-generation. Our energy intensity for water treatment is similar to last year while our intensity for wastewater treatment is higher than the preceding year as new treatment has come online as part of our WINEP programme and additional sludge has been transported and treated. Energy data has been independently assured by Atkins as part of our annual performance reporting.

Carbon

Carbon management has been overseen at a strategic level by our Net-Zero Carbon Committee and Public Value Committee, with the support of task group hubs focused on tactical operational carbon emission reduction and decarbonisation in our large capital programme, including the delivery of our regulatory performance commitments.

Our carbon emissions for the purposes of our annual SECR reporting include both location and market-based emissions in tCO2e and carbon intensity per megalitre of water supplied and per megalitre of wastewater treated. As outlined last year, our strategic decision to not purchase green energy has resulted in higher market-based emissions. Emissions are all UK onshore and have been independently verified (this year by BSI) against the ISO 14064-1 greenhouse gas emission verification standard, and our annual performance reporting has also been independently assured by Atkins.

Transitioning to net-zero carbon emissions is a core part of our corporate strategy, AMP8 business plan and long-term delivery strategy. Our plans have been reviewed in detail by our regulator over the last year and Ofwat's Final Determination of our PR24 submission has confirmed allowances for investments required to deliver our wastewater process emission reduction, including nitrous oxide emissions from our activated sludge processes and methane emissions post our digestion processes. We have also been allowed funding for installation of heat pumps and for charging infrastructure to support our transition to electric vehicles.

In addition to elements outlined in the preceding section on energy, which reduces Scope 2 emissions, our AMP8 Final Determination allows for expansion of our electric vehicle fleet from 18% up to 60% by 2030, with our supporting network of charging infrastructure on our operational sites, which will be supplemented with home charging and partnership use agreements.

Pilot schemes to validate the carbon we can sequester through peatland restoration and woodland planting have progressed and we now better understand how we can use these approaches to develop carbon credits (as insets) to reduce our annual emissions and use these in preference to third party carbon offsets. We have not purchased offsets during this period and will only look to do this in the future when we have taken action to reduce emissions, and offsetting becomes a final step to net off the residual emissions.

Our Scope 1 process emissions have grown this year as we expected. We implemented a compliance programme in particular related to phosphorous removal from wastewater final effluent which requires additional treatment including chemical dosing, which in turn leads to increased wastewater sludge for further processing, and an overall increased demand for process heat and power. As highlighted above, we will be addressing these emissions through our AMP8 investment allowance.

The data presented in the tables below for energy and carbon has been assured as part of our annual performance reporting process, and the GHG emission data has also been independently verified against the ISO 14064-1 standard. For a detailed breakdown of emissions and energy use, please see the Operational Carbon section of the Annual Performance Report which is available on the Yorkshire Water website at yorkshirewater.com/about-us/reports.

Energy performance

Fuel use, GWh		2025	2024
Grid electricity		489	508
Renewable electricity* generated and consumed		91	84
Diesel		64	65
Gas Oil		12	20
Kerosene**		0	-
Natural gas		22	9
Petrol		3	3
Hybrid vehicles***		1	-
Total		**682**	**689**
Intensity ratios[1]	kWh per megalitre of water supplied	619	629
	kWh per megalitre of wastewater treated	575	497

For our regulatory performance commitment for the current AMP, we use fixed emission factors and methodologies to show the reduction against our baseline (2020, being the last year of the previous AMP) attributable to performance gains, rather than emission factor changes (for example, grid electricity decarbonisation) or changes in reporting methodology or boundaries. Further details of our performance commitment can be found in our Annual Performance Report, at yorkshirewater.com/about-us/reports.

We report using the water industry standard tool, the Carbon Accounting Workbook, to calculate our emissions, and obtain external verification of our input data to the workbook, aligned with the ISO 14064-1 greenhouse gas reporting standard. Our reporting approach uses 'location-based' and 'market-based' methodologies. Under a location-based approach, we use standard emission factors published by the Government or other bodies. Under a market-based approach, we use supplier-specific emissions values which reflect our procurement decisions.

Scope 1 emissions are those we directly release to the atmosphere, for example, from burning fossil fuels on our sites, driving fossil fuel powered company vehicles, and releasing greenhouse gases (methane and nitrous oxide) during our treatment processes. This does not currently include emissions from our land, and excludes biogenic CO2 emissions.

Scope 2 emissions are those indirectly released to the atmosphere associated with our purchased electricity, used primarily to pump and treat water and wastewater. We use the grid average mix for location-based reporting and the residual mix emission factors for our market-based reporting. This results in higher market-based emissions.

Scope 3 emissions are other indirect emissions. We include business travel on public transport and in private vehicles, activities from outsourced operators and emissions from transmission and distribution losses related to the grid electricity we purchase. It is expected that our wider Scope 3 emissions will be incorporated into our reporting over time, and we include additional Scope 3 reporting in our regulatory annual performance reporting.

Our greenhouse gas emissions for the 2025 financial year are detailed below.

Greenhouse gas (GHG) emission performance

We use the latest version of the UKWIR Carbon Accounting Workbook, this year, version 19 which uses 2024 emission factors to calculate these emissions, whereas the environment measure reported in the Annual report on remuneration is calculated using version 16 of the Carbon Accounting Workbook to provide a consistent measure for reporting our current AMP performance (using 2019 emission factors consistent with our AMP7 baseline year).

Measure	Units	2025		2024	
		Market-based	Location-based	Market-based	Location-based
Scope 1	kt CO_2e	88	88	85	85
Scope 2	kt CO_2e	190	102	178	108
Scope 3	kt CO_2e	17	17	18	18
Total GHG emissions	kt CO_2e	**295**	**207**	**281**	**211**
Intensity ratios	kg CO_2e per megalitre of water supplied	242	141	222	144
	kg CO_2e per megalitre of wastewater treated	261	200	224	179

Climate-related financial disclosures (CFD)

Climate change has the potential to impact almost every aspect of our business. That is why it is essential that we assess and manage our climate-related risks, opportunities, dependencies, and impacts.

Climate change is happening - we are already seeing its impact on our natural environment, which in turn affects our customers, the communities we serve, and the way we operate our business.

We are committed to addressing and adapting to the challenges that climate change creates now, and is likely to create in the future.

This section contains information on how our climate-related risks, opportunities and interdependencies are identified and managed, their impacts on our strategy, and the performance metrics and targets we use to monitor and address them. These disclosures align with the climate-related financial disclosures required in section 414CB (2A) of the Companies Act 2006.

Governance

The Yorkshire Water Board has ultimate responsibility for climate-related matters, including climate-related risks and opportunities. These are considered throughout the year in the following ways:
The principal risks (which include climate change and carbon transition related risks) for the business are reviewed by the Executive team and Yorkshire Water Board at least annually. This includes consideration of the risk appetite statements, the corporate risks that feed into the principal risks, and the suite of key risk indicators which are monitored by the business.

During the year, the Yorkshire Water Board has spent significant time considering the PR24 Final Determination from Ofwat, which has included much discussion around physical and transitional climate-related risks. The PR24 Business Plan included the Water Resources Management Plan, the Drainage and

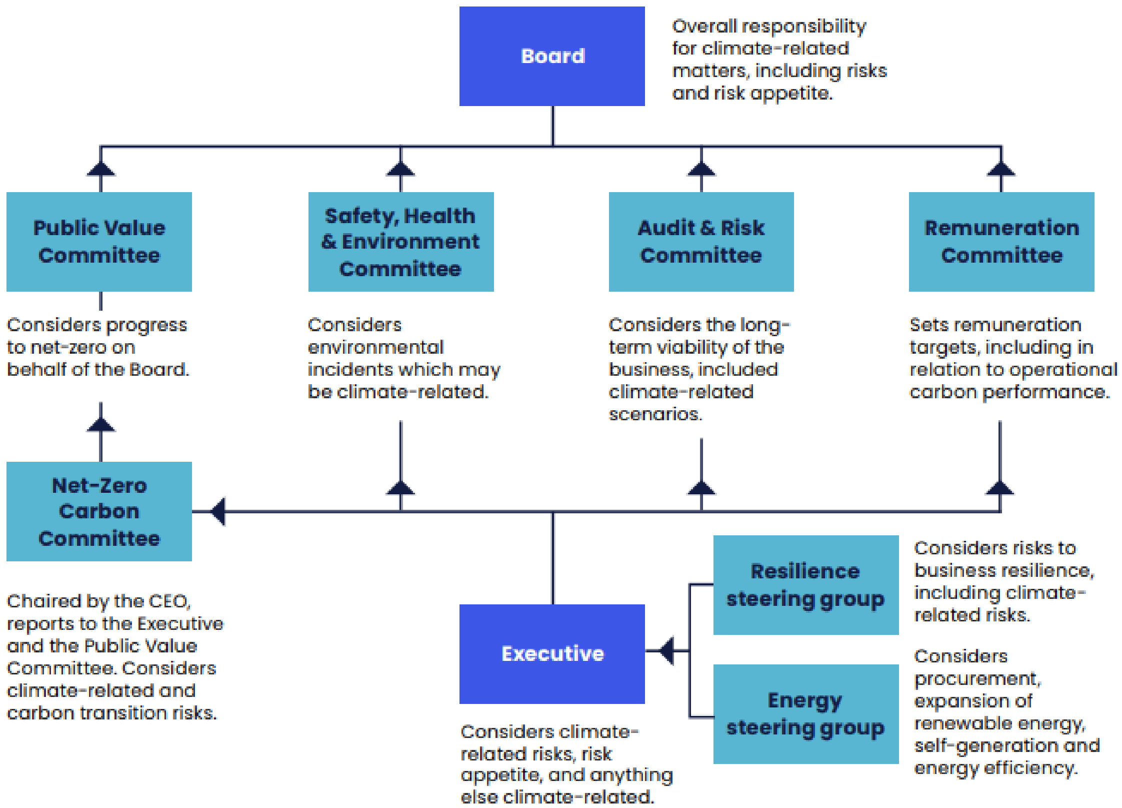
Wastewater Management Plan, and the Long-Term Delivery Strategy, all of which have climate-related considerations front and centre.

The Yorkshire Water Board set-up a PR24 Committee in 2023, specifically to consider the PR24 Business Plan in more detail and there were two meetings of the Committee held during the year, before discussions moved to being held entirely at the Yorkshire Water Board. These discussions included scrutiny of the climate-related risks, opportunities, assumptions, and plans contained in the PR24 Business Plan submission.

The next diagram shows the flow of information on climate-related matters to and from the Yorkshire Water Board and its Committees, this includes:

- **Net-Zero Carbon Committee:** Set up in 2022, this has continued to meet several times each year. This is chaired by our CEO, Nicola Shaw, and is responsible for overseeing the plan for delivery of net-zero carbon, providing leadership over operational and capital decarbonisation, and overseeing the net-zero strategy.
- **Energy Steering Group:** Chaired by our CFO and which has responsibility for energy procurement, expansion of renewable energy self-generation, and energy efficiency.
- **Resilience Steering Group:** Considers risks to business resilience, including climate-related risks.

Details of the other Committees can be found in their committee reports within the Yorkshire Water ARFS.



The overarching principal risk of 'climate change and carbon transition' is owned at executive level by our Director of Strategy and Regulation. Our net-zero carbon emissions goal is owned by the CEO, Nicola Shaw, as Chair of the Net-Zero Carbon Committee.

In the event of a risk materialising and a climate-related incident taking place, we have a comprehensive incident and crisis management process in operation, which is categorised by bronze, silver, and gold.

- Gold level incidents are led by senior leaders, with meetings chaired by the CEO or another senior executive, with regular updates on these incidents and the post incident lessons learnt provided to the Board for information.
- Silver and bronze are chaired by senior leaders or appropriate managers, respectively.

Climate-related risk and opportunity management

The Board maintain oversight of risk management across all principal risks, which includes risks to achieving net-zero, net-zero transition and our ability to adapt to climate change. Climate-related risks and drivers are embedded and integrated as part of our corporate approach to Managing risks and uncertainties, as set out in this report.

Risk identification takes a bottom up and top-down approach. It is embedded in all our operational systems, with subject matter experts conducting horizon scans to identify emerging risks.

All risk is evaluated based on likelihood and impact assessment, using a corporate risk assessment matrix, to ensure consistency in how risks are measured.

Our leadership team also identifies cost avoidance opportunities, which are identified and assessed using the same model as described above for risks.

We also have strong systems of internal control in place to mitigate risk to an acceptable level. Risk owners monitor early warning signs and implement focused mitigation where key risk indicators highlight the need for action to adjust or adapt.

Climate-related risks are assessed and managed as part of the water industry's strategic planning framework every five years, in line with the methodologies developed in collaboration with our regulators and the wider water sector.

Furthermore, other climate-related risks are also assessed as part of our regulatory frameworks, planning policy, or via our own internal processes.

Our climate-related risks and opportunities have been developed with a focus on Yorkshire Water's activities, so at the subsidiary level, rather than those of the wider Kelda group. This ensures our disclosures are focused on the part of the Kelda group most likely to be affected by climate, which also represents the largest proportion of the group's operations by some margin. More information on the structure of the group can be found in the *Chief Financial Officer's report*.

More detail on our risk and assurance activities can be found in the *Managing risks and uncertainties* section.

Our approach is fed by horizon scanning, which at a strategic level, involves research and annual insight into the medium to long term trends. External climate-risk intelligence provides macro level horizon scans as a key feed into our risk process, with integrated reports providing clear action plans.

At a tactical level, the Yorkshire Water Resilience Steering Group is responsible for reviewing the short-term risk landscape once a quarter, ensuring that appropriate preparedness, response, or monitoring capabilities are in place should climate risks realise.

Climate-related risks are integrated into our risk hierarchy, starting at the principal level, which includes physical and net-zero transitional risks.

Climate-related risks are assessed primarily through a regional lens, given the location of our operations, whilst considering national and international insights. This is undertaken on a risk-specific basis to understand the impact periods that fall into line with our business plans and forecasts, helping us assess appropriate risk treatments, as shown in the table below. Time periods for assessing risks are aligned with our ongoing business activities, covering management plans for up to two years ahead (short-term), our five-year regulatory planning cycle (medium-term), and our strategic plans up to 2050 and beyond (long-term).

	Short-term	**Medium-term**	**Long-term**
Time period	0-2 years	Up to 2030	Up to 2050 and beyond
Management approach	Implementation of tactical response plans	Investment through regulatory AMP cycle	Strategic planning activities
Key plans	• Drought plan • Pollution Incident Reduction Plan • Vulnerable asset plans	• Five-year regulatory Business Plan • Capital delivery programmes. • Repair and maintenance programmes	• Water Resources Management Plan • Drainage and Wastewater Management Plan • Long-term Delivery Strategy

Each principal risk, including climate and carbon related risks, are accompanied by a risk appetite position and statement and a suite of key risk indicators. Leadership teams monitor these, allowing them to take timely action to treat the risk and develop action plans which are overseen by the Executive team and the Yorkshire Water Board.

Second line risk assurance and advice are provided to risk owners working with our sustainability subject matter experts. The corporate overview of appetite is used as the initial basis to set materiality and aid prioritisation for decision making.

The risks below have been assessed using the corporate risk matrix, by likelihood and consequence to determine a risk category. The short-term and medium-term target timeframes also consider existing controls and planned interventions, whereas the medium-term and long-term timeframes assess risk without raking further action beyond the short-term. How the five risk categories are defined, is outlined in the *Our Risk Management framework* section of this report.

As we annually assess our risks, some risk scores will have evolved since our 2024 CFD report, reflecting planned investment within the PR24 Final Determination.

Climate-related risks and opportunities

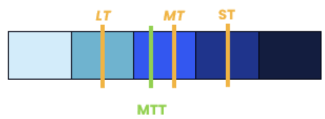
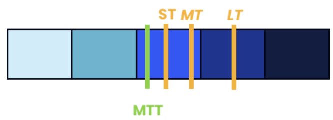
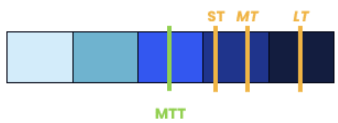
Key:

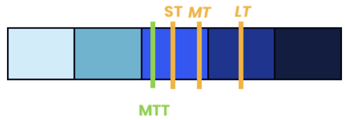
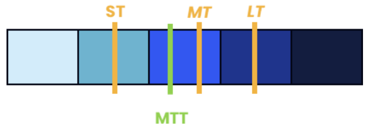
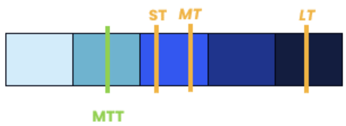
Very Low	**Low**	**Medium**	**High**	**Very High**

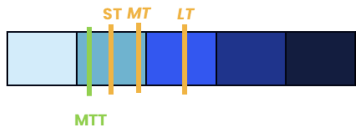
ST = Short term (<2027). Our current risk position.
MT = Medium-term (<2030). Our forecasted medium-term risk position if we do not take further action.
LT = Long-term (<2050). Our forecasted long-term risk position if we do not take further action.
MTT = Medium-term target (<2030). Our medium-term risk position that will be delivered by our investment plans.

Where multiple timeframes (i.e. ST, MT) are found within the same risk score category (i.e. medium), they should be seen as scoring the same, regardless of the order with which they are displayed on the diagram - there is no subdivision within the risk score categories.

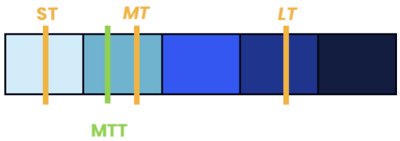
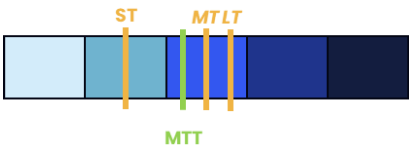
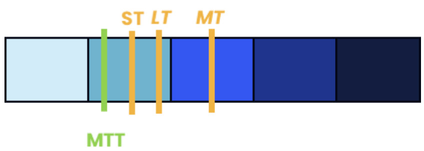
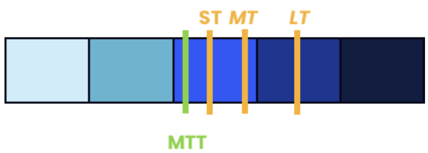
Physical climate risks – acute and chronic

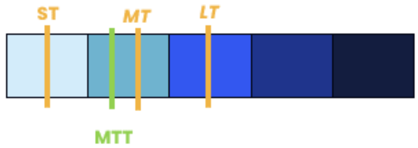
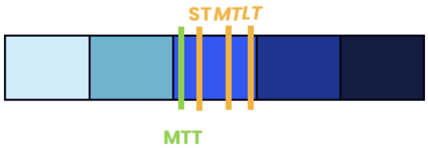
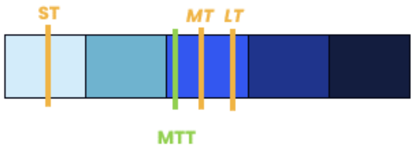
Hazard	Trend	Impacts & mitigations	Risk score	Impact on strategy
Physical - Acute				
Extreme temperature events -cold snaps (inc. snow / ice)	Reduction in frequency, duration, intensity, and severity.	**Impacts:** Burst pipes and increased customer contacts, service disruption and pressure on emergency response. **Mitigations:** Asset management programme, emergency response plans.		Customer, asset performance
Extreme temperature events – heatwaves and hot spells.	Increase in frequency, intensity, and severity.	**Impacts:** Increase in short-term water demand leading to temporary outages. Reservoir misuse by members of the public, creating public health and safety related incidents. **Mitigations:** Drought plan, public education, site rangers, 24/7 Service Delivery Centre monitoring and response.		Customer
Extreme rainfall events – flood / downpours / flash floods.	Increase in frequency, intensity, and severity	**Impacts:** Flooding of above ground assets, wastewater network inundation, poor quality biosolids and saturated agricultural soils, resulting in service disruption, asset write-offs, pressure on emergency response, sewer flooding, pollution events and restrictions on ability to recycle biosolids to land.		Customer, environment; asset performance

		Mitigations: Flood risk screening for all new capital schemes, physical flood defences, vulnerable asset plans, Drainage and Wastewater Management Plan.		
Extreme wind / storm events – coastal storm surge.	Increase in frequency, intensity, and severity	**Impacts:** Damage to physical infrastructure and inundation of coastal assets, resulting in service disruption and pressure on emergency response. **Mitigations:** Physical flood defences, relocation of assets.		Customer, asset performance
Physical - chronic				
Wetter winters	Increase in average rainfall	**Impacts:** Increased soil erosion and runoff of pollutants from uplands, fields, roads, and high ground water levels, resulting in raw water quality deterioration due to contamination of water sources and groundwater infiltration of the sewer network. **Mitigations:** Catchment land management, dynamic source selection, treatment work investment.		Environment
Drier summers	Decrease in average rainfall	**Impacts:** Pressure on water resources, wildfires and potential degradation of raw water catchments, surface run-off from parched soils, algae growth and cyanobacterial blooms in reservoirs, network blockages, the introduction and spread of invasive non-native species, resulting in temporary use bans, raw water quality deterioration, taste and odour issues, sewer flooding, pollution events, damage to assets and the environment. **Mitigations:** Water Resources Management Plan, catchment land management, dynamic source selection, biosecurity		Environment; customer; asset performance

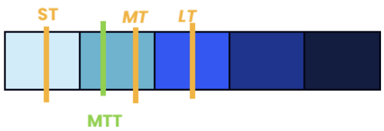
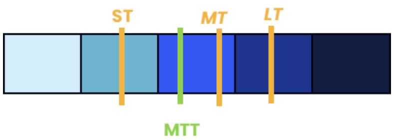
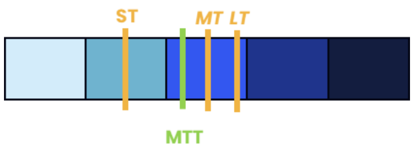
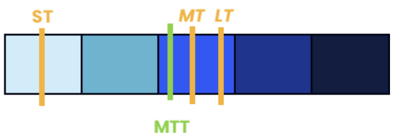
		programmes, infrastructure repair and maintenance programmes, smart meters.		
Sea level rise	Increase in local sea level rise.	**Impacts:** Coastal erosion, flooding, and restricted outfalls, resulting in damage to assets and service disruption. **Mitigations:** Physical flood defences, relocation of assets, community resilience programmes.		Environment; customer; asset performance

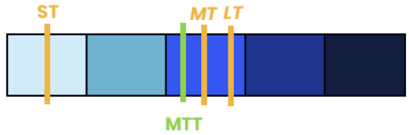
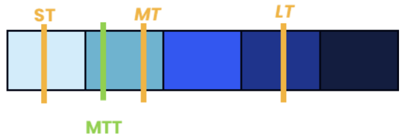
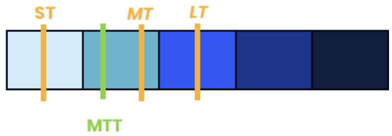
Transitional climate risks – technology, policy, legal and reputational

Risk	Impacts & mitigations	Risk score	Impact on strategy
Transition – technology			
Emergence of new technologies with high water demands (e.g. green hydrogen production)	**Impacts:** Increased demand for water resources, resulting in supply interruptions and temporary use bans. **Mitigations:** Customer engagement and incentivisation.		Sustainable business
Lack of supply chain capacity or readiness to decarbonise at the pace required for climate transition.	**Impacts:** Continued reliance on a carbon intensive supply chain, resulting in increased capital and operating costs and reputational impact. **Mitigations:** Long-term strategic planning, asset management programmes, engagement with policy makers and regulators.		Environment, sustainable business
Temporary power outages linked to decarbonisation of electricity grid.	**Impacts:** Unexpected shutdowns of electrical equipment, resulting in asset damage and disruption to service provision. **Mitigations:** Investment in power resilience and generation infrastructure, cross-sector collaboration to develop power resilience plans.		Customer, asset performance, sustainable business
Transition – policy			
Introduction of new environmental protection requirements.	**Impacts**: Increased carbon and energy footprint associated with new capital works or changes in operating processes, resulting in increased costs, and slowing of		Environment, sustainable business

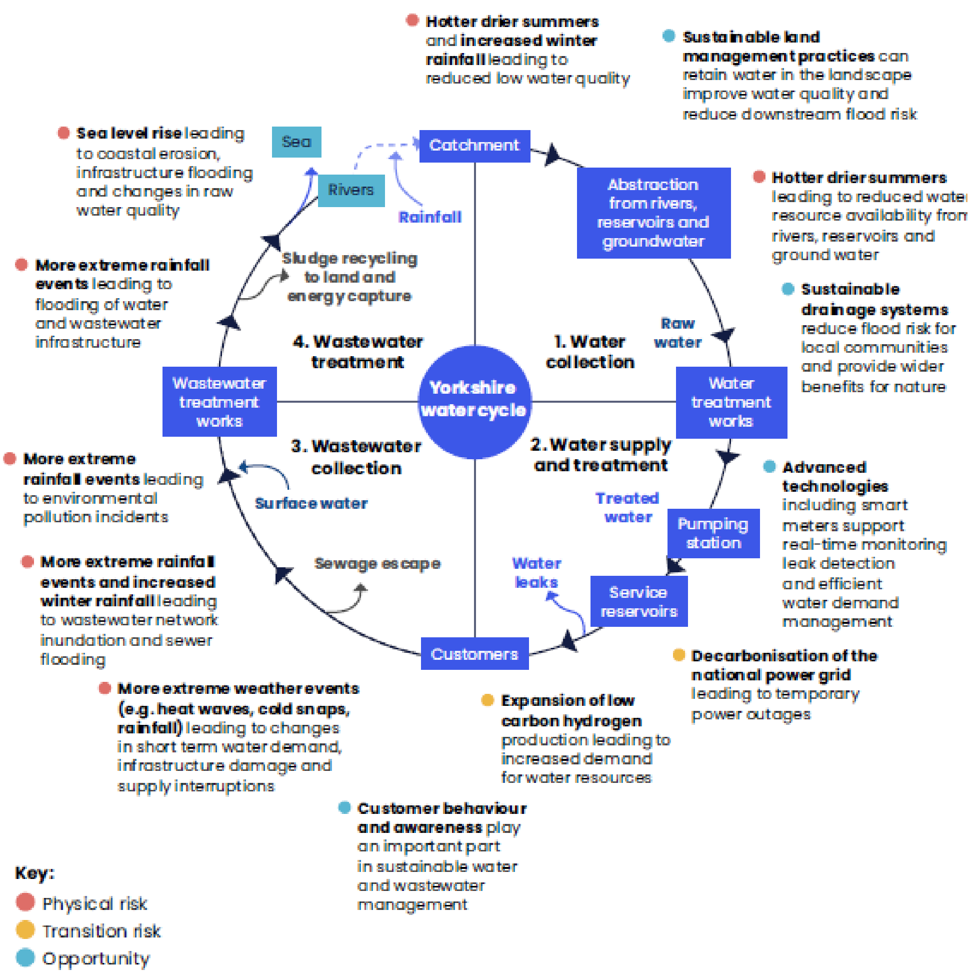
	progress to net-zero. **Mitigations:** Long-term strategic planning, asset management programmes, engagement with policy makers and regulators.		
Transition – legal and reputational			
Increased societal expectations to transition to low-carbon economy.	**Impacts:** Demand for further progress for investors, resulting in increased cost of capital if not achieved. **Mitigation:** Stakeholder engagement activities.		Sustainable business
Potential for pace of regulatory change to be misaligned with that of climate transition.	**Impacts:** Insufficient regulatory funding for climate-related investments, leading to lack of resilience and stranded assets. **Mitigation:** Stakeholder engagement activities.		Sustainable business
National emergency water transfer to the other regions.	**Impacts:** Increased demand for water resources, resulting in supply interruptions and temporary use bans. **Mitigation:** Cross-industry collaboration on strategic resource options.		Customer

Climate-related opportunities – chronic and transitional

Hazard	Opportunity	Risk graphic	Impact on strategy
Physical - chronic			
Hotter, drier summers	Reduced heating demand for wastewater treatment processes, resulting in cost efficiencies.		Sustainable business
Transitional			
Emergency of low-energy or nature-based treatment technologies.	Reduced energy and chemical consumption, resulting in cost efficiencies and reduced emissions.		Environment, sustainable business
Roll-out of smart household water meters.	More effective water demand management, resulting in reduced pressure on water resources.		Environment
Introduction of water efficiency labelling and increased	Reduction in per capita consumption, resulting in reduced pressure on water resources.		Environment

public awareness of water consumption.			
Lower costs of renewable energy solutions.	Increased renewables deployment on operational sites, resulting in greater security of energy supply.		Sustainable business
Increased demand for low-carbon materials.	Emergence of resource recovery markets, for example, biosolids, resulting in new revenue streams.		Sustainable business
Increased societal expectations to transition to low-carbon economy.	Greater customer support for climate-related activities, resulting in increased likelihood of regulatory approval for climate-related investments.		Sustainable business

The following diagram outlines key aspects of what we do as a business, showing where climate-related risks and opportunities identified in this report impact different areas of our operations.



Strategic resilience

Our corporate strategy is set out at the start of this *Strategic report.* As part of our strategy, we have three key documents that set out long-term (i.e., up to 2050) operational plans. These are the Water Resources Management Plan (WRMP), the Drainage and Wastewater Management Plan (DWMP), and the Long-Term Delivery Strategy (LTDS). Climate-related risks are integrated throughout each plan, which are used to inform and shape the development of our five-year business planning cycles, ensuring what we deliver in the short term is aligned with our long-term strategic goals and resilient to the long-term challenges we will face.

Our WRMP, DWMP and LTDS are also based on the adaptative planning principle of accounting for future uncertainties. This means they contain core pathways of low- or no-regrets – expenditure alongside several alternative investment pathways that may be triggered if certain circumstances, such as climate-related changes, come to pass.

'Right for customers' is a core part of our strategy, putting them at the heart of our planning process ensuring that they are involved in shaping our strategic plans. As such, we have carried out several customer engagement activities to gauge their views on our approach to climate change. These found that our customers take the challenges of climate change seriously and are broadly supportive of investment to address climate change risks and safeguard service-levels for the future, despite the recent cost of living crisis.

As with all investments, we are mindful of the need to keep bills affordable for our current and future customers, doing what we can to support a just transition. As such, we will continue to engage with customers on this topic to understand their priorities and concerns, following our adaptive planning approach to avoid unnecessary impacts on customer bills where some investment decisions may not yet need to be taken.

Approach to scenario testing

Our scenario analysis is based on quantitative modelling following national guidance from Defra, Ofwat and the Environment Agency.

The latest UK Climate change projections (UKCP18) are incorporated within the baseline models of our WRMP and DWMP, using the intermediate level of forecasted future emission - Representative Concentration Pathway (RCP) 6.0. This scenario is used to inform our 'core' investment pathways.

We also stress test the resilience of our business plans under more extreme, yet plausible, climate-related scenarios – including RCP 8.5 (high) and RCP 2.6 (low), as shown in the table below. This analysis informs the identification of our alternative investment pathways to mitigate future risks, which may be triggered in the future.

We have currently focused on physical climate scenarios as these are most relevant to the key climate-related risks and opportunities facing our business. To enhance our reporting in the future, we are currently working on integrating transitional scenarios within our analysis. We typically renew our climate scenario analysis every five years in line with water industry strategic planning framework cycles.

Physical climate scenarios	**Description**	**Rationale**	**Key assumptions and estimates**
Low UKCP18 probabilistic projections, RCP2.6, 50th percentile probability level.	An approximate 1.6°C warming scenario by the year 2100 – corresponding to an 'optimistic' emissions scenario.	• Scenarios represent a central pathway and plausible extremes of potential physical climate trajectories. • Aligns with requirements of Defra, Ofwat and the Environment Agency.	• No material changes to Yorkshire Water's operational service area. • Regional population growth and water demand evolve in line with current forecasts. • Water and sanitation services continue to be delivered using existing networks rather than decentralised (off-grid) systems. • No material changes in future government policy or legislative requirements. • Changes in climate occur within the envelope of RCP2.6 and RCP8.5 scenarios.
Central UKCP18 probabilistic projections, RCP6.0, 50th percentile probability level.	An approximate 2.8°C warming scenario by the year 2100 – corresponding to an 'intermediate' emissions scenario.		
High UKCP18 probabilistic projections, RCP8.5, 50th percentile probability level.	An approximate 4.3°C warming scenario by the year 2100 – corresponding to a 'worst case' emissions scenario.		

Scenario results and strategic response

Clean water

Climate change represents one of our largest risks to the availability of deployable water output, coupled with other challenges such as projected population growth, loss of an import from Severn Trent Water in 2035, and potential reductions in abstraction in 2035 and 2040 to ensure greater environmental protection.

Our scenario analysis indicates we would face a supply demand deficit of 359 Ml/d (megalitres per day) in 2050 under the RCP8.5 (the high climate change scenario), compared to 321 Ml/d in our preferred plan based on RCP6.0 (the central climate change scenario).

The WRMP outlines intervention options to mitigate these risks include both supply-side improvements and demand-side reductions as part of our core investment pathway.
To mitigate the risk of the high climate change scenario, our alternative adaptive pathway would deliver additional supply options to offset the deficit resulting from the high climate change scenario, with a need to make further investments to address the supply-demand deficit. A decision on whether this will be required will be made by 2030 based on the latest climate projections, demand reduction progress, and the outcome of environmental investigations.

Wastewater

The scenario analysis within our DWMP shows climate change as having the greatest risk to the performance of our wastewater network with regards to wastewater discharge and flood risk due to future changes in rainfall.

Our core DWMP pathway includes investment to manage physical climate risks associated with an intermediate level of forecasted future emissions (i.e. RCP6.0). However, modelling indicates that increased rainfall conditions under the high climate change (RCP8.5) scenario would pose significant risks to the operation of wastewater discharges (i.e. storm overflows) and hydraulic sewer flooding that extend beyond those we have planned for in our core pathway.

Mitigating these risks requires us to create additional wastewater network storage capacity, separate a greater volume of surface water runoff at source, and attenuate surface water runoff to slow the speed at which stormwater enters our sewer network. We have an alternative investment pathway which represents the additional expenditure required to mitigate the high climate change scenario risks. We currently forecast this pathway could deviate from our core pathway from 2030 at the earliest. Our tipping point for this pathway will be based on the outcomes of future modelling undertaken as part of our on-going business process.

Other operational areas

For other business areas, scenario analysis did not identify any physical climate risks that warranted additional material expenditure for an alternative investment pathway at this time. We will continue to work to strengthen resilience to climate-related risks across our business as part of our day-to-day operations. This includes:

- Using nature-based solutions as our preferred way to deliver our services, as set out in our Nature First commitment.
- Delivering catchment management activities that enhance environmental processes to improve water quality and reduce flood risk, such as tree planting and peatland restoration.
- Assessing the vulnerability of our infrastructure to the impacts of flooding and, where necessary, installing flood defence measures to manage these risks.
- Working to reduce greenhouse gas emissions by investing in renewable energy generation, tackling process emissions, and reducing embedded emissions (Scope 3) by investing in goods and services with lower embedded carbon relative to current selections.
- Providing our colleagues with training courses to raise awareness and understanding of climate change within our business; and

• Partnership working to tackle shared climate-related challenges facing our region (for example, our Living with Water partnership to build flood resilience and develop innovative water management systems for communities in Hull and the East Riding).

In line with adaptive planning principles, we will continue to monitor the development of climate risks facing our business and keep our alternative pathways under review to support the development of future strategic plans.

Nature-based solutions for stormwater management

Most of our wastewater network carries two kinds of water: rainwater from roofs and roads, and sewage and grey water from homes and businesses. If sewers become inundated during periods of extremely wet weather, they can discharge excess wastewater into the environment to prevent sewers flooding into properties. These discharges could occur more often given the more frequent, heavier storms we expect to see in future – highlighting the need to adapt our wastewater network to ensure we can continue to protect the water environment.

To reduce the number of storm discharges during periods of prolonged or heavy rain, we are making greater use of sustainable drainage systems to store, filter, and slow down water to relieve pressure on our wastewater network. We are also increasing storage capacity across our wastewater network and treatment works. Our plans include using constructed wetlands to provide a natural, sustainable, and low-carbon way to store and treat wastewater before returning it to the environment.

For example, in Pudsey we are repurposing a disused site to create over 25,000m^3 of extra storage for stormwater, which will help reduce the number of discharges into Pudsey Beck and improve water quality. Also at our wastewater treatment works in South Elmsall, we are investing £14m to create a wetland spanning over three hectares (or five football pitches) to improve water quality in Frickley Beck – a tributary of the River Don.

As well as these projects, we have invested £180m to reduce discharges at 130 priority sites in 2025, with a further £1.5 billion of investment planned for over 480 sites by 2030. Through our increasing use of nature-based solutions, we aim to build climate resilience to more extreme rainfall events expected in future while also supporting local wildlife and improving the health of Yorkshire's rivers, seas, and coasts.

Metrics and targets

We use metrics and targets to help us assess the progress we make in managing our climate-related risks and opportunities. These include physical and transitional risks alongside our mitigation measures to reduce emissions to net zero.

Adaptation-related metrics and targets

Our metrics and targets for climate adaptation are key to ensuring our assets continue to be resilient in the face of increasing climate related impacts.

This year we have reviewed our adaptation-related metrics and targets to ensure they remain relevant for climate risk management. As a result, we have removed a metric relating to blue-green solutions to reduce duplication of information provided by other metrics.

We publish an Adaptation Report every few years. Our latest report can be found on the Yorkshire Water website www.yorkshirewater.com/environment/climate-change-and-carbon/.

The report sets out our key vulnerabilities and plans under different climate change scenarios, and links to our targets and mitigation plans to manage risks.

The following table provides a suite of metrics that are utilised to monitor how various aspects of Yorkshire Water are performing under the growing stress of acute, chronic and transitional climate risks.

Risk area	**Metric**	**Unit**	**Performance**		**Targets**	
			2024	**2025**	**2030**	**2050**
Physical - acute	Unplanned outages	Unplanned outage of peak week production %.	2.95	2.48	1.6	1.0
	Total pollution incidents (Category 1-3)	Number of pollution incidents (category 1-3) per 10,000 km of sewer.	26.21	28.89	9.13	0
	Internal sewer flooding	No. per 10,000 sewer connections.	2.78	2.21	1.76	0
	External sewer flooding	No. per 10,000 sewer connections.	24.98	23.72	18.61	8.61
	Discharges from storm overflows to rivers and coasts	Average number of discharges per storm overflow.	34.98	30.72	26.86	9.02
Physical - chronic	Per capita water consumption	% reduction from a 2020 baseline.	1.0%	2.0%	5.0%	18.5%
	Non-household water consumption	% reduction from a 2020 baseline.	Not applicable	Not applicable^	5.0%	11.9%
	Leakage	% reduction from a 2020 baseline.	12.7%	15.1%	27.4%	48.8%
	Water supply resilience*	Return period.	1 in 100	1 in 100	1 in 200 (by 2028)	1 in 500 (by 2040)
Transitional	Greenhouse gas emissions (scopes 1, 2 and 3)	Tonnes CO_2 equivalent	Not applicable	Not applicable	Carbon neutral (Scopes 1 and 2)	Net zero (all scopes)

**where resilience means avoiding level 4 restrictions, where water supplies can be limited or cut off*
^ baselining is in progress for non-household water consumption and performance will be reported next year

Metrics and targets for net-zero carbon emissions

Our targets and metrics to aid the delivery of our decarbonisation plans are set out in the table below, along with a description of how these are and/or will be delivered. Our overarching target is to achieve a transition to net-zero emissions by 2050 in line with the UK Government's glide path. This target is supported by interim targets out to 2030, including to reduce as far as possible our direct (Scope 1) emissions and those associated with our (Scope 2) purchased electricity and to use offsetting to achieve a carbon neutral position for the residual emissions.

Our wider Scope 3 emissions will require us to set a clear set of science-based targets, and this will form a key part of our preparatory work over the coming year. We will seek independent verification of our transition plan against a recognised net-zero standard.

Further details on our energy and carbon performance, including the breakdown of energy use and carbon emissions can be found in the Right for the environment section.

New metrics for operational carbon emissions out to 2030 have been agreed with our regulator and documented in our Final Determination. These form the basis of our two common performance commitments that will be tracked as part of our regulatory reporting across AMP8.

Target	Metric	How progressed
Baseline (2020) equivalent operational emissions reduced to a carbon neutral position by 2030.	tCO_2e (Net position after all sub-targets delivered).	Delivery of the targets below, independently verified annually (this year by BSI) against ISO 14064-1 standard that specifies principles and requirements for quantification and reporting of greenhouse gas emissions and removals at the organisational level.
Increase self-generation of green energy to 40%.	% of total energy consumption from self-generation using solar, wind, hydro, biogas or other green energy sources including connection via private wire to third party sources.	Target for 2025 to 2030 to be progressed through increased biogas yield and self-generation, partnership programmes to expand our use of non-grid green electricity and upgrade some of our existing renewable assets (wind and hydro). Our baseline is c. 18%.
Reduce process emissions by 20% by 2030 through AMP8 net-zero enhancement investment.	Percentage reduction from 2020 baseline.	Target for 2025 to 2030 for which Ofwat has allowed £23m in our Final Determination to help us reduce nitrous oxide emissions by using advanced digital process monitoring and control, and methane recovery though post-digestion vacuum

Target	Metric	How progressed
		degassing.
Reduce Scope 1 fleet emissions by 80% by 2030.	Percentage reduction from 2020 baseline.	Progress to March 2025 – 38% reduction. We transitioned 18% of our light commercial vehicles to electric in AMP7 and plan to expand this to 63% by 2030. Other fuel switching and fleet optimisation will support the overall goal.
Reduce business travel (Scope 3) related emissions by 80% by 2030.	Percentage reduction from 2020 baseline.	Progress to March 2025 – 77% reduction. Since the pandemic, business travel has reduced significantly. Colleagues are also progressively moving to electric and lower emission vehicles.
Generate 3500 tCO_2e of annual carbon insets from peatland restoration and woodland projects by 2030.	Validated annual sequestration in tCO_2e.	Planting schemes and peatland restoration schemes are underway and will continue to increase in contribution over time with 3,500 tCO_2e an interim value of committed schemes that will help reduce our overall emissions.
Purchase carbon offsets equivalent to annual residual emissions for Scope 1 and 2 emissions aligned to our 2020 baseline from 2030 onwards.	Verified carbon offsets of high assurance.	We maintain a watching brief on the availability and cost of carbon offsets, and where possible will look to secure local offsets as a priority when these become required to achieve our net-zero goals.
Net-zero carbon emissions across all scopes of emissions by 2050.	tCO_2e	Our Long-Term Delivery Strategy sets out our investment needs as £590m out to 2050. This investment will be reviewed ahead of AMP9 including the phasing and scale of spend. Our ability to decarbonise will be dependent on key factors outside of our control, including the pace of decarbonisation across the country, and regulatory pressures on our sector that drive increased asset expansion or treatment regimes.
Establish science aligned interim targets to support the net-zero	Independently verified plan for net-zero transition	An independent assessor will be appointed to review our pathway to

Target	Metric	How progressed
transition plan.	reduction pathway by the end of September 2025.	net-zero against a recognised net-zero standard.
Reduction of Scope 3 – Capital Goods: 23% reduction against 2020 baseline by 2025.	Percentage reduction in emissions in tCO_2e against our modelled baseline for a core capital delivery programme.	Progress verified by audit of our process against PAS2080:2023 by Atkins confirming a 27% reduction was achieved to the end of March 2025 bettering our AMP7 target.

Beyond the metrics and targets for climate adaptation and net-zero, we have yet to set metrics and targets for wider transition risks such as supply chain disruption and regulatory changes. These risks are on a watching brief as part of our risk assessment and horizon scanning, and we aim to manage them proactively to prevent these risks from materialising for example, by becoming exposed to increased carbon taxation.

As we progress our CFD reporting year-on-year, we plan to refine and expand our metrics and targets to address these wider risks and opportunities. However, as indicated in the table above, there are links between transition risks and opportunities and our existing metrics and targets. For example, the aim to 'expand self-generation of green energy to 40%' addresses both the reduction of greenhouse gas emissions and also the transition risk relating to 'increased demand for renewable energy and carbon offsets' by improving reliance and exposure to carbon markets. Similarly, our target to reduce the 'risk of severe restrictions in a drought' also addresses our transition risk 'national emergency water transfer to another region'.

Our communities

It extremely important to us that we do all that we can to support the communities around us across Yorkshire, not least because most of our colleagues live in the communities that we serve.

Supporting communities through education

Our education programme enables us to engage with our customers from an early age, helping them to be safe around water, showing them how they can help support us in doing the right thing for the environment, and introducing them to new career opportunities. These early interactions help us to emphasise the importance of using water wisely and 'what not to flush' which children then share with their families and beyond. Teaching children about water safety helps to save lives with much needed awareness of how to stay safe near open water.

During 2025, our education performance commitment delivery has increased by 4% from 2024. Across all our programmes, we reached over 42,000 children and adults and delivered over 39,000 hours of education.

Our free education programme is delivered either face-to-face in schools, at our education centres, or online. We cater for all ages from primary school through to universities. In Spring 2025, we finished creating our new wastewater education centre in Sheffield and added four new colleagues to our team to support the increasing demand for our services. Our education centres are accredited with the Learning Outside the Classroom Quality Badge.

Working with the National Trust

During the year we celebrated the first full year of the Landscapes for Water project in partnership with the National Trust. This project is restoring 5,500 hectares of upland peat moors in the South Pennines.

Part of the initiative is to engage with local communities and the team have undertaken 25 community sessions enabling volunteers to help deliver the works on the ground.
In addition, ten schools and 1,200 pupils have attended school assemblies about moorland restoration and the work being done. The assemblies help educate younger people about the South Pennine moors and are aimed to inspire interest in the environment and how to respect it.

Our Lego programme

Our primary school Lego programme has continued this year, allowing children to learn about sewer blockages, flooding, and Sustainable Urban Drainage systems through the creation of a Lego 'Bot' which shows through pictures how they can contribute to making the environment a better place.

'Hey Girls'

This year we have continued our collaboration with social enterprise 'Hey Girls', launching our latest outreach programme to address blockages caused by sanitary products being flushed into the network. We have delivered sessions at nine secondary schools reaching 925 students during the year. All students receive a complementary pack of products to try, and the programme has been very well received.

Sharing information on careers

We aim to support young people in our communities through sharing information on future career opportunities, both within our business and more generally in roles where there are skills shortages across our industry.

This careers engagement supports the Gatsby Benchmarks for good career guidance in schools and we have an annual focus on events during National Apprenticeship Week and National Careers Week.

Our Industrial Cadets work experience programme has continued in the year, centred on the theme of sustainability. A total of 30 students aged 16-18 years old successfully completed the programme gaining a Silver Level Accreditation.

In partnership with our contract partners; Kier Natural Resources, Nuclear and Networks, Seymour Civil Engineering and Galliford Try, we now offer a joint careers presentation to schools close to capital schemes. We plan to include other contract partners as we enter our next AMP.

Volunteering opportunities for colleagues

In total, over 2,840 volunteering hours were recorded in the year by 399 colleagues from across our business. A further 105 colleagues supported biodiversity improvements and community outreach at events like the Great Yorkshire Show, with 672 hours of their time.

As part of our vision for a thriving Yorkshire, our 'Give Back, Bring Back' policy allows colleagues up to four working days per year to get involved in community-based volunteering. Our programmes focus on four main themes; education, environment, customers in vulnerability, and employability. This enables our colleagues to use their experience in new situations, develop new skills and learn about the communities we serve across the region.

BD25

We are proud to be one of the major partners for Bradford 2025, UK City of Culture.
We have been working closely with the City of Culture team to support their pioneering programme of events, which includes access to our land and opportunities for our colleagues to provide voluntary support.

Doing right by our communities

In October 2024, we undertook a pilot scheme to understand what we can do better within our communities. We ran the 'Doing right by our communities' pilot to understand how customers would like to see us show up in their communities and how they feel we can add value above and beyond our day-to-day services.

In partnership with Participate Projects we have looked at the needs of the community in the LS7 postcode area in Leeds, and how we can best help add value. This has been focused in three areas:

- **Mentoring** – matching experienced senior leaders from within our organisation to local organisations for one-to-one mentoring sessions;
- **Business club** – holding group learning sessions for local organisations on different topics, ranging from marketing and communications through to finance; and
- **Volunteering** – matching groups of colleagues from Yorkshire Water to local projects to help transform spaces within the community.

We want to have a positive impact on the communities in which we work, and we will be closely monitoring the success of the pilot to understand how we can best expand this work to other areas of Yorkshire.

Supporting WaterAid

Our long-standing commitment to supporting WaterAid has continued this year, and we have held a variety of fundraising activities, including a golf day, a five-a-side football tournament, a ten-kilometre run, and our annual gala dinner. These events, alongside our regular lottery fundraising, have helped to raise £62,000 for WaterAid in the year whilst also providing opportunities for colleagues to get involved and develop new skills. We have supported WaterAid since 2014 and are proud to have raised around £1.25m for the charity in that time.

Living with Water

Our Living with Water partnership in Hull and the East Riding has continued this year. This is a collaboration between Yorkshire Water, Hull City Council, the East Riding of Yorkshire Council, and the Environment Agency, with the University of Hull as our academic partner.

The ambition is to create a city that thrives with water by delivering sustainable, long-term solutions with local communities at the heart of every project. The partnership has a 25-year strategy to deliver flood resilience to Hull and the East Riding.

This year, we have continued to make significant progress, with multiple projects underway. In particular, three active schemes in Bilton, Derringham, and Orchard Park are enhancing flood resilience through the installation of Sustainable Urban Drainage systems.

This year has also seen an expansion of our education and outreach initiatives. We have integrated Sustainable Urban Drainage systems into two local schools, providing students with hands-on learning opportunities about sustainable water management.

At Bilton Community Primary School we installed three rainwater planters and one extra-large planter, all connected to the water downpipes from the school roof. As well as slowing the flow of rainwater, these units serve as valuable habitats for wildlife, with ten different integrated habitats including hedgehog houses, bee hotels, and butterfly houses, which support local biodiversity.

Our people

Health and safety

Health and safety remain at the heart of our ten-year strategy, as part of our foundation of having a sustainable business. Our health and safety vision is ‘everyone, every day, safe and well’.

As we continue to push for improvements in our health and safety performance, we are aiming to move away from a proactive to a more generative health and safety culture. This means that we set ourselves very high standards and then attempt to exceed them, we want to ensure our people are as informed as possible so that we are prepared for the unexpected, and we want to be a learning and trusting organisation.

As part of our ongoing work, we have identified five strategic health and safety objectives that we will achieve within the next ten-year period. These are:

1. Process safety risks continue to be understood and managed with robust systems and barriers;
2. Our safety culture continues to mature to prevent harm and support compliance obligations;
3. Customers have a positive experience when interacting with our operations, land, property, and recreational sites;
4. We continue to embed a dynamic and flexible health and safety management system that responds to the evolving needs and challenges of the business; and
5. Colleague health and wellbeing is protected, promoted, and supported.

Our approach to safety

We have a health and safety plan each year which sets out key milestone deliverables for focus areas. In the coming year we will continue to focus on the reduction of high potential incidents, process safety improvements and partner safety, whilst placing a greater focus on engaging and collaborating with all colleagues, moving our health and safety culture from proactive to generative.

We continue to deliver on all the major milestones of our health and safety plan, which has contributed towards our strong health and safety performance and the maintenance of our ISO 45001 certification.

Occupational safety

Last year we achieved our best ever Lost Time Injury Rate (LTIR) result of 0.10, and we were disappointed not to have managed to maintain this in 2025. This year, we have achieved a 0.14 LTIR which is our second best ever result, and we will be working hard in the new AMP to get back on track.

Last year we achieved our best ever Lost Time Injury Rate (LTIR) result of 0.10, and we were disappointed not to have managed to maintain this in 2025. This year, we have achieved a 0.14 LTIR which is our second best ever result, and we will be working hard in the new AMP to get back on track.

Key measure: LTIR – number of working hours lost per 10,000 hours as a result of injuries sustained at work:
- **2024: 0.10 against a target of 0.10**
- **2025: 0.14 against a target set at 0.10**
- **2026: Target set at 0.10**

To maintain our drive to prevent injuries to our colleagues, customers, and partners, we have continued to focus on significant near miss incidents that have the potential, in slightly different circumstances, to cause serious injury. In line with this, we have continued to hold Incident Review Panels and Learning Review Boards to assess the quality of our investigations and capture broader lessons to drive continual improvement.

Health and wellbeing

Key measure: Sickness absence percentage:
- **2024: 2.86% against a target of 3.00%**
- **2025: 2.83% against a target set at 3.00%**
- **2026: Target set at 3.00%**

In order to support our colleagues, we have continued to train mental health first aiders and provide specialist counselling support services, through our Employee Assistance Programme and online GP services. To further improve our wellbeing offering, we have introduced Wellbeing Hubs this year. This unique and bespoke approach has been designed to gain better insight into colleague health and wellbeing. The Hubs facilitate an ongoing dynamic health and wellbeing risk assessment that reflects colleagues' thoughts and concerns, and focuses on the issues that they perceive are impacting on their physical and mental health. The Hubs concentrate on the seven key themes which influence overall health and wellbeing, these are:

- Mental wellbeing
- Physical wellbeing
- Social wellbeing
- Professional wellbeing
- Role specific wellbeing
- Working environment and culture
- Financial wellbeing

Safeguarding our colleagues and customers

A Safeguarding Working Group is established within the business, to focus on internal and external matters relating to the safeguarding of colleagues, customers, and members of the public. The business also continues to promote our Speak Up Policy which encourages colleagues to report any concerns they may have, as well as empowering every colleague to have the authority to stop work should they feel unsafe.

As societal pressures increase, there are other considerations that can impact health that can be disruptive for our colleagues. For example, increases in physical and verbal aggression towards utility workers continues to be a cause for concern. Research suggests that nationally this is a trend that has been increasing since the Covid-19 pandemic. Within Yorkshire Water, there is evidence of an increase in hostility towards colleagues, however we have strong controls in place, and colleagues are made aware of these through training and procedures. We encourage our colleagues to always report any issues and to remove themselves immediately from any situation where they feel unsafe.

Process safety

Key measure: Process safety incidents:
- **2024: 1 against a target of ≤7**
- **2025: 2 against a target set at ≤5**
- **2026: Target set at ≤3**

Our comprehensive Process Safety Management Plan continues to drive our approach to managing the process safety risks associated with our higher risk assets. Governance in this area is provided by the Process Safety Steering Group chaired by the Director of Health and Safety, who in turn provides regular progress reports to the Executive team and the Safety, Health and Environment Committee.

This year we have conducted Process Hazard Reviews on our highest risk sites. These are a form of risk assessment designed specifically to identify where major accident hazards could be generated on an existing site. The studies require background evidence, including the design of assets, plant operations, operator and contractor competence, procedures and operations, real terms process knowledge and any gaps in maintenance. Any actions arising from these reviews have been implemented on a timely basis, and have been reported to the Safety, Health and Environment Committee during the year.

In the year, we have also held a new High Hazard Identification workshop, which has been attended by 597 of our operational colleagues.

Safety leadership

Key measure: Leadership safety site visits:

- **2024: 435 against a target of 435**
- **2025: 679 against a target of 555***
- **2026: Target set at 576**

*The target is higher than that shown in the 2024 Annual Report as it was adjusted upwards during the year due to the number of senior leaders increasing.

Safety leadership is set by the tone from the top and is one of the areas that is measured closely through our Performance Excellence hubs. The primary purpose of Yorkshire Water's safety leadership activity programme is visibility of senior leaders to colleagues, to demonstrate top management commitment to the improvement of health and safety and to encourage active engagement and participation. We have achieved our target for the year, which is calculated as a fixed number of activities per senior leader.

Public safety

Public safety is always at the forefront of our minds, with our network and assets stretching right across Yorkshire and some sites, such as our scenic reservoirs, being regularly enjoyed by many members of the public. Our Public Safety Steering Group continues to ensure we are safeguarding the public. As such, the group looks at topics such as visitor safety and redundant assets, as well as education and campaigns to inform the public of potential hazards.

Contract Partner Safety

We often use contract partners in our day-to-day running of the business, and we value their health and safety as highly as that of our colleagues. We meet regularly with our partners to share health and safety best practice, and we have formed various joint working groups. Our main focus in 2025 has been on reducing high potential incidents that, under slightly different conditions, could have resulted in a serious or fatal injury. Our approach has been to implement a plan which has promoted the use of global best practice in areas such as incident classification and colleague education and training.

Our culture

During the 2024 financial year, we embarked on a journey to define a future-focused culture aligned with our ten-year strategic vision.

This work has continued over the last year, and we have spent time with both internal and external stakeholders, as well as undertaking in-depth research and analysis, to identify the core behaviours that we need to drive our plan forward over the next AMP. These behaviours have been endorsed by both our Executive team and our Board, and were rolled out across the business in March 2025:

Bring your best is about doing right by our colleagues, customers and the environment. It is about maintaining the highest possible standards, following processes, listening, learning and sharing knowledge and expertise.

Create connections is about working together as one Yorkshire Water team to build a thriving business. It is about respecting, understanding and valuing everyone, building trust and looking beyond our day-to-day teams to find inspiration and solutions.

Make it better is about contributing every day, knowing that small changes can add up to big wins. It is about embracing change, challenging the status quo, speaking up with ideas or questions, and being open and curious.

See it through is about prioritising the actions that have a long-term positive impact. It is about focusing on delivering outcomes for customers and colleagues, taking accountability, adapting when needed, and seeing our part through to completion.

Our work on culture has highlighted further opportunities for us to continue to improve, and we aim to cultivate a climate where constructive challenge is encouraged, and our people feel more empowered, all while upholding our essential commitments to safety and compliance.

We know that cultural change is a continuous process and we are focusing on two key areas to drive this forward:

- Embedding desired behaviours within our everyday work and communications; and
- Ensuring our leaders and managers exemplify these behaviours in all their actions, serving as inspiring role models.

We are committed to tracking our progress and refining our approach, and are gathering regular feedback from colleagues on key cultural indicators via our Yorkshire Voice surveys and through ongoing colleague engagement groups.

Attracting great people with the right skills

We recognise that to keep improving our operational performance it is critical to attract, retain and engage top talent. We continue to focus on plans that will enable our people to enhance their performance and seize opportunities through a range of initiatives and talent development programmes.

How we are cracking on

We are moving forward in 2026 with a strategic workforce plan which includes:

- *Mapping all the jobs in Yorkshire Water to understand the skills and capabilities that we need to support the delivery of our AMP8 plan;*
- *Expanding our talent and succession framework across the organisation to help us grow and develop our colleagues; and*
- *Investing in apprenticeships, graduates and workplace experience programmes to continue to build skills in future generations.*

During this financial year, we have:

- Overhauled our Graduate Programme offer to start our first cohort in three years in September 2024 with 11 graduates joining us across engineering, project management, water quality, and strategy and regulation. Our largest ever graduate cohort of 27 will join us in September 2025;
- We have also opened our recruitment process for 42 apprenticeships, which will be our largest apprentice intake to date. We currently have over 170 active apprentices in roles across the business;
- We have offered 38 programmes, via 31 providers, to our apprentices, including the University of Leeds, Exeter University and Provek Limited with programmes across engineering, project management, procurement, human resources, customer service and water processes;
- The application window for the annual Industrial Cadet scheme has been opened, accommodating 30 young people on an accredited programme based on the Water Industry and Sustainability. Our cadets will be offered a guaranteed interview for a role within the business within five years of completing their programme;
- Begun the development of software to use as part of a Virtual Reality offering when attending careers events, providing an opportunity for potential colleagues to navigate safely around our assets, providing a real taste of what our working environments are like; and
- Completed a work experience offering to support the wider business which will be launched as part of Careers Week, demonstrating our commitment to supporting young people as they start their careers.

We are continuing to invest in social recruitment channels and tools in order to attract a wide and diverse talent pool. We are also continuing to build our talent pool internally by offering more transparent secondment opportunities in-house.

Equality, Diversity and Inclusion (ED&I)

We continue with our commitment to provide a diverse and inclusive working environment where all our people are treated equitably. Building on the launch of our ED&I strategy in 2024, we are evolving our impact across three focus areas:

- Building an open and inclusive culture where our people feel connected, engaged, and free to be themselves;
- Embracing, increasing, and retaining the diversity within our workforce; and
- Equipping our colleagues with the openness, understanding and confidence to discuss ED&I matters.

Through all our ED&I activities, our aim is to create and develop diverse and inclusive teams where our colleagues and partners feel they can be themselves, and which are representative of the communities that we serve across Yorkshire.

We include specific questions in our Yorkshire Voice survey around equality, diversity and inclusion and we are pleased to have seen increases in the scores for each of these questions over the last year, with an average score of 8.3 out of 10 in the most recent survey.

How we are cracking on

As part of our ED&I plans for the future, we have set targets to increase the representation of women, ethnic minorities, and those under the age of 25 in our business. We are launching a colleague campaign called All Together Different; to help us all understand and grow a more diverse workforce.

Our activities this year

- We have been focusing on reviewing our recruitment processes to identify and mitigate any barriers and bias through the candidate journey;
- In line with our Disability Committed Employer status, we have implemented a more consistent approach to reasonable adjustments at our assessment centres and commenced a rollout of strengths-based interviewing, to enable inclusive hiring;
- We have carried out a review of all our policies in line with our industry peers, including updating our ED&I Policy and have implemented a menopause toolkit to support women's health;
- We have expanded the scope of our colleague engagement survey to provide insights around colleague experience by demographic; and
- We have pledged our support for the armed forces by signing the Armed Forces Covenant and we are proud to be a Bronze Award holder in the industry-wide Defence Employers Recognition Scheme. Through this scheme, we are committed to employing reservists, armed forces veterans, including those who are injured and sick, cadet instructors and military spouses and partners.

Our colleague networks and groups

We have six colleague-led networks, which are each sponsored by a member of our Executive team:

- women and gender;
- disability;
- LGBT+,
- armed forces;
- race and ethnicity, and
- family.

As part of our women & gender network we also have two groups: menopause and women in engineering.

To improve the effectiveness of our networks this year we have invested in Co-Chairs who have participated in a ten-week Employee Network Leadership Programme facilitated by Radius. This programme enables and empowers them to lead effectively and with impact.

We have had another fantastic year of excellent colleague-led events and communications. We have also taken part in various awareness days and months such as Pride, South Asian Heritage Month, Black History Month, Ramadan and Eid, Diwali, International Day of Persons with Disability and many more.

We are proud that our colleagues across the business, and our partners, have been getting involved, helping us spread awareness and embracing different cultures and backgrounds.

Our women in engineering group continues to shape the future by creating an open community and safe space for women in our engineering functions. This group is about people building a network and sense of community in what can be for some, quite isolating roles.

We have held quarterly in-person events this year with people attending from Yorkshire Water and the Partners for Yorkshire Group. Their focus this year has been on three key areas:

- Supporting women to join the industry including participating in Science, Technology, Engineering, and Mathematics festivals to showcase Yorkshire Water and inspire young girls;

- Ensuring that we have suitable, female friendly Personal Protection Equipment and facilities; and

- Empowering male allyship to support our strategy.

External relationships

We have external relationships with a number of third-party organisations to provide our colleagues with access to further support and to discuss best practice in relation to ED&I. These include the Business Disability Forum, the Energy & Utility Skills Partnership, and the Social Mobility Business Partnerships.

Gender and ethnicity

As we seek to drive progress on ED&I, we want to embrace the diversity we have in the business; and ensure we recruit diversely. Below we provide Yorkshire Water's diversity statistics for the current and prior year:

Gender	Male		Female	
	2025	2024	2025	2024
Statutory directors	7 (58.3%)	5 (50.0%)	5 (41.7%)	5 (50.0%)
Senior managers	30 (66.7%)	29 (72.5%)	15 (33.3%)	11 (27.5%)
Remaining employees	2,856 (72.4%)	2,702 (72.6%)	1,091 (27.6%)	1,021 (27.4%)

Ethnicity	White		Black and minority ethnic		Not disclosed / prefer not to say	
	2025	2024	2025	2024	2025	2024
Statutory directors	11 (91.7%)	10 (100%)	1 (8.3%)	0 (0%)	0 (0%)	0 (0%)
Senior managers	26 (57.8%)	23 (57.5%)	1 (2.2%)	1 (2.5%)	18 (40.0%)	16 (40.0%)
Remaining employees	1,926 (48.8%)	1,946 (52.3%)	149 (3.8%)	152 (4.1%)	1,872 (47.4%)	1,625 (43.6%)

In note 4 to the Yorkshire Water ARFS, we disclose figures relating to a total of 3,876 employees based on monthly averages throughout the financial year. The figures stated in the tables above relate to the number of employees as at 31 March 2025. Both approaches are accurate and are provided in the format stated by the relevant regulatory requirements.

Gender pay gap

In accordance with The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, we publish our gender pay gap information annually. The most recently published data is for 5 April 2024 and is included for information in the tables below. Gender pay gap information is reviewed and discussed each year by our Remuneration Committee. Data for 5 April 2025 is expected to be published no later than 5 April 2026. You can access our gender pay gap reports on the Yorkshire Water website at yorkshirewater.com.

Gender pay and bonus gap figures

Year	Mean gender pay gap	Median gender pay gap	Mean bonus pay gap	Median bonus pay gap
2024	5.0%	4.3%	15.2%	0.0%
2023	6.6%	8.4%	(34.6%)	0.0%

% Receiving bonus

Year	Females	Males
2024	94.8%	96.1%
2023	95.0%	97.8%

**A negative figure represents a figure in favour of the female population, for example, the mean bonus as a negative percentage shows the female population received a higher payment than the male population as an overall average.*

Pay quartiles

Year	Upper quartile		Upper middle quartile		Lower middle quartile		Lower quartile	
	F	M	F	M	F	M	F	M
2024	24.5%	75.5%	25.8%	74.2%	19.0%	81.0%	36.2%	63.8%
2023	23.2%	76.8%	24.7%	75.3%	19.0%	81.0%	39.3%	60.7%

Published figures are to 5 April for each year in line with regulations.

This will be our eighth year of reporting on our gender pay gap. During the past eight years, the gender pay gaps have fluctuated however, we are very pleased to report that for the 2024 reporting period, both the mean and median gender pay gaps at Yorkshire Water have reduced.

Although still in favour of males, largely due to our predominantly male workforce which accounts for 72.3% of the workforce, the mean pay gap has decreased to 5.0% and the median pay gap has reduced to 4.3%. These are considered to be relatively low.

The improvement in the figures is in part due to the decreases we see in female representation in the lower pay quartiles coupled with an increase in female representation in the upper pay quartile.

In 2024, the mean bonus pay gap shifted to 15.2% in favour of males from (34.6%) in 2023. This change is driven by changes to senior representation in the upper quartile and fewer females in top senior positions compared to 2023.

The median bonus gap has remained at 0% for the fourth consecutive year. This is a reflection of the majority of colleagues receiving the same bonus amount.

Ethnicity pay gap

Whilst ethnicity pay gap reporting is not a statutory requirement; we calculate and gather the data alongside our gender pay gap reporting. The most recent ethnicity pay gap data is shown in the table below and is for 2024.

The ethnicity pay gap shows the difference in the average pay between people from ethnically diverse communities compared to white employees. The reporting of ethnicity is by choice of the individual and our latest disclosure rates sit at 53%, this has declined since 2023 where the disclosure rate was 62%. Any review of the pay gap numbers must be set in the context of these disclosure numbers.

In 2024, our mean ethnicity pay gap has increased to 7.1% from 5.7% and the median ethnicity pay gap now sits at 9.6% compared to 11.0% in 2023. We continue to improve processes and encourage our people to disclose their ethnic identity.

Ethnicity pay gap and bonus gap

Year	Mean ethnicity pay gap	Median ethnicity pay gap	Mean bonus ethnicity pay gap	Median bonus ethnicity pay gap
2024	7.1%	9.6%	(3.7%)	0.0%
2023	5.7%	11.0%	(190.5%)	0.0%

Working ethically and respecting human rights

Our Human Rights Policy recognises international human rights, as set out in the Bill of Human Rights and the principles described in the UN Global Compact. It is a fundamental policy of Yorkshire Water to conduct our business with honesty, integrity and in accordance with the highest standards of ethics, equity and fair dealing.

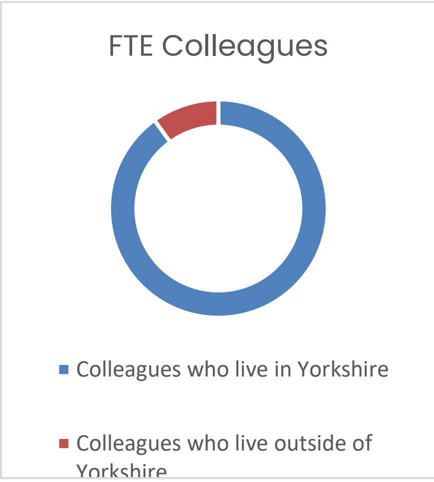
Our Code of Ethics sets out the ethics we expect from all those who work for and with us, including our policies on anti-corruption and anti-bribery. All our colleagues complete mandatory online training to ensure everyone understands these ethical standards.

We take steps to ensure there is no slavery or human trafficking within our organisation or our supply chains and our accreditation by the Living Wage Foundation ensures all colleagues are paid over and above statutory wage levels.

We also embed ethical contractual requirements throughout our supply chain and check compliance through a range of assurance controls, which include a statutory clause in all relevant supplier contracts to ensure that qualifying contractors also receive at least the National Living Wage, including where working for a subcontractor. In compliance with the Modern Slavery Act 2015 we publish an annual statement which can be found on the Yorkshire Water website at yorkshirewater.com.

Colleagues that live in Yorkshire

As a major employer in Yorkshire, we want to ensure we are providing job opportunities to those who are based in Yorkshire. We are pleased to report that the vast majority of our colleagues live locally. The chart below shows that 90% of our Yorkshire Water colleagues on a full-time equivalent basis live within Yorkshire.



Loop Customer Management

Loop's principal business is the provision of customer management services to Yorkshire Water, which are primarily billing and collections of household revenue. The changing economic climate can, therefore, have a major impact on Loop's activities and an impact on Yorkshire Water performance in Ofwat's PCs for customer service as detailed in the *Yorkshire Water* section of this *Strategic Report*.

Loop challenges continue to stem from the economic backdrop and cost-of-living crisis. As detailed in the *Right for customers* section above, we have a number of initiatives designed to help vulnerable customers and offer support schemes to assist with their bills. Further details on this have been included in the *Right for customers* section earlier in this *Strategic Report*.

Loop also contributes to the delivery of Yorkshire Water's ten year strategy: "a thriving Yorkshire, Right for Customers". Helping customers with affordable bills, identifying vulnerability to tailor services, and ensuring an enjoyable customer experience.

Engaging colleagues has been an ongoing key initiative for the business. Last year we continued to be recognised by the award of "Outstanding" status in the Great Place to Work accreditation from Best Companies, which was based on colleague feedback and reaccredited the Investors in People award to Gold until 2027.

Keyland

During the year, Keyland's activities centred on promoting residential and development sites through the statutory planning system to meet market demand.

The Keyland business continued to focus on maximising the value of property assets released by Yorkshire Water, with the current year's results being derived primarily from the sale of its interest in one of the strategic land joint ventures and sale of land. In addition, Keyland has continued to secure further opportunities by working with third-party landowners seeking to bring forward potential development sites.

The main risks to Keyland are:
- the quantity and type of sites becoming available for transfer from Yorkshire Water;
- the fluctuating market conditions, which affect the value of land; and
- changes, unpredictability and delays in the planning system.

KTM

The principal activity of KTM is to comply with the Goods Vehicles (licencing of operators) Act 1995 to demonstrate continuous and effective management of two operating licences (Yorkshire and North-West England) for Large Goods Vehicles (LGVs) allowing Yorkshire Water to operate LGVs whilst promoting operating efficiencies.

As per the undertakings of KTM's operating licence, all vehicle registration documents, and maintenance contracts have transferred from Yorkshire Water. KTM can demonstrate independence of Yorkshire Water. Three appointed transport managers are in place with two appointed Board directors supported by a Company Secretary.

Both operating licences are recording blue statuses (full compliance) within the Traffic Commissioners Office OCRS (Operators Compliance Record Score). In January 2018 KTM achieved the DVSA (Driver Vehicle Standard Agency) and Earn Recognition Accreditation for compliance and management of its operating licences.

Section 172(1) statement

In 2018 the Companies (Miscellaneous Reporting) Regulations introduced a requirement for large companies to publish a statement describing how the directors have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006. The statement here relates predominantly to Yorkshire Water, as the largest subsidiary within the group. As such, the Yorkshire Water Board conducts the majority of the group's engagement with key stakeholders as detailed below, with reports made to the Kelda Eurobond Co Limited Board to enable decision-making as detailed later in this section.

Yorkshire Water considers itself to be an anchor institution, which means that its long-term sustainability is tied to the wellbeing of the people it serves. Most Yorkshire Water colleagues are also customers and live surrounded by other customers, the communities it serves, the environment in which it operates, and the local suppliers that it supports. When Yorkshire Water has an impact on the stakeholders in Yorkshire, this is felt by many across the organisation. This means that it is essential that the Yorkshire Water Board does not just have 'regard' to key stakeholders, as required by section 172 of the Companies Act 2006, but is always aware of how the company impacts upon them, both now and in the long-term.

The water sector continues to receive negative media, and now more than ever it is important for the Board to be building trust amongst its stakeholders, through open, honest and constructive relationships so it can be understood what matters most to them.

The following pages set out some more detail on stakeholder interactions during the year.

Stakeholder – customers

Customers are at the heart of the Yorkshire Water corporate strategy for 'a thriving Yorkshire, right for customers and right for the environment'. Yorkshire Water wants to continually improve its customer experience and to do that it has to understand what its customers expect from the company.

How has Yorkshire Water engaged? Yorkshire Water has a Customer Insight team who run surveys and focus groups throughout the year to understand the sentiment of customers and the issues that are important to them. Some Yorkshire Water Board members attend the focus groups as observers so that they can hear first-hand from customers.

During the year, the Yorkshire Water Board also received two deep dives into customer experience; one considering risks in relation to customer experience and the key risk indicators used to measure these, the other focused specifically on performance and the steps being taken to seek to improve customer satisfaction.

The Yorkshire Water Board also received regular updates on the modernisation programme during the year, which focused on improving service to customers through changing internal structures, systems and customer-facing roles to provide a more efficient and more seamless service to customers.

The Yorkshire Water Board also hears updates on customer-related matters at every Board meeting, from the Director of Customer Experience, and receives customer satisfaction metrics every month regardless of whether there is a Board meeting or not.

What has the engagement told us? Yorkshire Water knows that the main priorities of its customers are:

- Having a continuous supply of safe drinking water;
- Keeping bills affordable for all; and
- Preventing sewage from entering homes and businesses.

Stakeholder – environment

The environment is key to all that Yorkshire Water does. The business is reliant on it for water resources, now and in the future, and it treats and returns wastewater to it and must do that responsibly. The environment impacts on the quality of raw water and Yorkshire Water owns a significant amount of land that provides an outdoor environment for the communities it serves to enjoy.

How has Yorkshire Water engaged? As a business, Yorkshire Water engages with multiple organisations that work to protect and enhance the environment, such as the National Trust, the Yorkshire Wildlife Trust and local Rivers Trusts. This engagement is reported to the Public Value Committee and Yorkshire Water Board through updates on specific partnerships, environmental initiatives and through business cases for investment.

During the year the Yorkshire Water Board visited the Living with Water partnership in Hull to see first-hand the work being done in Hull through the partnership to alleviate flood risk.

It also seeks to work closely with our environmental regulator, the Environment Agency, at both a regional and national level. The Yorkshire Water Board has met with the Regional Director during the year to hear directly how Yorkshire Water might improve in its approach to the environment, and the Chair and CEO both meet regularly with their counterparts from the Environment Agency to understand their expectations and any areas where the business can improve.

What has the engagement told us? Yorkshire Water knows that the most important environmental matters relate to:

- Reducing storm overflow discharges;
- Working with partners to protect the environment from the effects of climate change; and
- Protecting water resources, including through reducing leakage.

Stakeholder – colleagues

Yorkshire Water colleagues remain the greatest asset and understanding their thoughts and feelings is key to Yorkshire Water improving its business performance, as well as the Board ensuring that the desired culture is embedded across the business.

How has Yorkshire Water engaged? There is a Yorkshire Voice survey twice a year which seeks to understand how colleagues are feeling, and the feedback from this is shared with the business, with the Executive team and Yorkshire Water Board receiving detailed information on the views expressed through the survey.

The Yorkshire Water Board met with senior leaders from the business at an informal dinner during the year, to provide an opportunity for the senior leaders to talk openly with Board members about anything on their minds, the Board also had dinner with the Executive team, again to provide an opportunity for open and honest conversation.

The Board has also met with Trade Union representatives during the year to hear the views of Trade Union members directly from their convenors, and received an update on equality, diversity and inclusion within Yorkshire Water to understand the ongoing work in this area and the targets that had been set in relation to diversity.

The Yorkshire Water Board also engages with colleagues on each of their site visits and these are done both collectively and individually throughout the year. Collective visits have taken place at the Elvington Water Treatment Works and at various sites on the Living with Water programme in Hull.

What has the engagement told us? Yorkshire Water knows that colleagues are most concerned about:

- The external reputation of the business and the negative media received;
- Workload; and
- Recognition.

Stakeholder – communities

As an anchor institution within Yorkshire, Yorkshire Water believes it can play a significant role in helping and supporting the communities that it serves.

How has Yorkshire Water engaged? As a business Yorkshire Water engages with its customers regularly which also gives insight into the communities that it serves.

During the year the Public Value Committee heard about a community engagement pilot taking place across Yorkshire Water, working with an organisation called Participate to support two local charitable organisations in Leeds with voluntary support and operational expertise. This pilot matched volunteers from within Yorkshire Water with community schemes that can make use of their time and expertise, and proved hugely beneficial for the colleagues who participated, as well as significantly increasing the understanding of how Yorkshire Water can better support the communities around it. The aim is for the pilot to be scaled up to enable all colleagues to have the opportunity to support local charitable causes across Yorkshire, that would benefit from colleague time and expertise.

Yorkshire Water also works in communities, raising awareness of the financial support it can provide to customers, as well as engaging with children in schools to teach them both about water use and safety around water.

What has the engagement told us? Yorkshire Water knows that the matters most important to the communities around it are:

- Access to green spaces;
- Clean drinking water; and
- Keeping sewage in the pipes.

Stakeholder – investors

There are four investors, who own shares in the ultimate holding company, Kelda Holdings Limited.

How has Yorkshire Water engaged? All four of the investors have a representative on the Yorkshire Water Board. The investors are therefore directly involved at a Board level, which means Yorkshire Water is able to ensure they are all treated fairly and their views are represented in Board-level decisions.

What has the engagement told us? The matters of key concern to the investors are:

- The investability of the sector;
- Improving customer service and operational performance; and
- Demonstrating the highest standards of business conduct.

Stakeholder – suppliers

The Yorkshire Water supply chain is an essential part of the business and the company is keen to understand the thoughts and priorities of suppliers, many of whom are local to Yorkshire.

How has Yorkshire Water engaged? Yorkshire Water engages with suppliers in multiple different ways, depending on the extent of the services provided by the supplier. They classify each supplier as gold, silver or bronze and have identified some as 'strategic suppliers', with different levels of engagement and contract management depending on the classification of the supplier.

The Yorkshire Water Board receives updates on supplier performance at regular intervals throughout the year and has met with a number of suppliers during the year through the Safety, Health and Environment Committee, where the suppliers are specifically asked to provide feedback on their experience of working with Yorkshire Water.

What has the engagement told us? The things that matter most to Yorkshire Water suppliers include:

- Trust and transparency;
- The local economy in Yorkshire; and
- Behaving ethically and responsibly.

Stakeholder – regulators

The water sector is a highly regulated sector and its regulators are therefore amongst the key stakeholders for Yorkshire Water. They seek to build good relationships with each regulator to better understand their expectations and how they can best align to these.

How has Yorkshire Water engaged? Yorkshire Water has multiple interactions with its regulators at all different levels of the organisation. The Yorkshire Water Board has had face-to-face meetings with representatives from Ofwat, the Environment Agency and the Drinking Water Inspectorate during the year and has heard direct feedback from each on their requirements and their experience of working with Yorkshire Water.

The business also respond to consultations on future regulation to ensure that it is contributing to the debate on how regulation could evolve. All responses are shared with the Yorkshire Water Board to keep them informed.

What has the engagement told us? Yorkshire Water knows that its regulators are most focused on:

- Regulatory compliance which delivers for customers and the environment;
- Financial resilience; and
- Strong, demonstrable governance in relation to the oversight of the Board.

Stakeholder – politicians

There are 56 Members of Parliament in the area served by Yorkshire Water, including 22 who were newly elected during the year. Yorkshire Water knows that they all want to champion the causes that are important to their constituents.

How has Yorkshire Water engaged? The company engages regularly with local politicians, through email updates and through meetings and visits, to help them understand the work that Yorkshire Water is doing to improve its services.

During the year Nicola, the CEO, has met with local politicians on multiple occasions, and she and Paul, the CFO, appeared before the Environment, Food and Rural Affairs Committee in February 2025 to respond to questions on the performance of the company.

Yorkshire Water also maintains links to local councils and regional mayors, which is particularly important when severe weather incidents occur and is then able to work together to mitigate the impact on customers and communities.

What has the engagement told us? Yorkshire Water knows that local politicians are interested in:

- Reducing storm overflow discharges;
- Executive pay; and
- Dividends.

The long-term

As well as considering stakeholders, the Yorkshire Water Board has to also consider the long-term in its decision-making. The ambition is for a thriving Yorkshire, and Yorkshire Water consider the long-term implications for Yorkshire, for customers and for the environment, in all its decision making. The Board has a 30-year financial model which is updated for all key decisions to show the long-term financial impact of any decision made. In addition, the Board has considered the long-term regularly throughout the year in its consideration of the Final Determination from Ofwat, and the long-term plans covered by this, which stretch over the next 25 years and beyond.

The Board also considers future risks and opportunities through regular horizon scans, papers and presentations from subject matter experts on future considerations, as well as through the work undertaken by the Audit and Risk Committee on the long-term viability scenarios, which is covered further in the *Yorkshire Water ARFS*.

A reputation for high standards of business conduct

The Yorkshire Water Board is very aware that trust in the water sector has decreased over recent years for a variety of reasons. As a company it is seeking to address this through greater transparency and clearer explanations of what it does as a business and how it is performing.

It seeks to maintain high standards of business conduct in all that it does and it has a Code of Ethics, which it expects all colleagues and partners to follow. This sets out the ethical standards it expects from all those working on behalf of Yorkshire Water.

The Board received deep dives in the year on both compliance risk and governance risk, considering how both are measured, the controls in place in relation to each and the assurance required by the Board.

The Yorkshire Water Board is given assurance on the information it receives through various means, including internal audit reports, external assurance reports or from the Board Committees, which have the capacity to scrutinise information more closely before it is discussed by the Board.

Key decisions

The following are examples of key decisions undertaken by the Kelda Eurobond Co Limited Board and the Yorkshire Water Board during the year and how stakeholder engagement, and consideration of the long-term, have influenced those decisions:

The decision	How we engaged with stakeholders	How this links to the Yorkshire Water strategy	The view of the Board
Kelda Eurobond Co Limited Board Early prepayment of an intercompany loan interest and principal due in December 2025 to Kelda Finance	The Board took into account multiple views in its consideration of the proposal to make an early prepayment of the intercompany loan interest and principal	As part of the Yorkshire Water strategy, there is a foundation of being a Sustainable Business, which includes ensuring	The Board concluded that the payment was in line with accounting rules and legislation, as well as being justifiable based on the expected and

(No.2) Limited.	There was discussion around the views of stakeholders, such as shareholders and the other party to the intercompany loan. The financial resilience of the business and the performance of its subsidiaries in the year-to-date was also considered, as well as the forecast for the remainder of the year, and compliance with accounting rules and legislation.	financial resilience for the benefit of stakeholders in the long-term.	actual performance of the business and its subsidiaries in the year. It was also noted that prepayment would be beneficial to the financial resilience of Kelda Finance (No.2) Limited, which would therefore ultimately benefit the financial resilience of the group.
Yorkshire Water Board The approval of a change to the Articles of Association to include the purpose of the company.	The request for a change to the Articles, came from the Secretary of State for the Department for Environment, Food and Rural Affairs, therefore the view from politicians was very clear. The Yorkshire Water Board knew that the change would be welcomed by other stakeholders as it aligned exactly with the corporate strategy and the aim for a thriving Yorkshire, right for customers and right for the environment, which was tested with stakeholders prior to its implementation in 2023.	The change to the Articles aligned exactly with the purpose, which is set out in our strategy, and the requirements of s.172 (1). The Articles now state that "the purpose of the company is to conduct its business and operations for the benefit of members as a whole while delivering long-term value for its customers, the Yorkshire region and the communities it serves and seeking positive outcomes for the environment and society."	The Yorkshire Water Board welcomed the change to the Articles, acknowledging that it aligned exactly with both the duty of directors in s.172 (1) of the Companies Act 2006 and with the corporate strategy, which was approved by the Board in 2023.
The approval of the undertakings agreed with Ofwat in relation to their Wastewater Networks Investigation	There were detailed discussions with Ofwat throughout the Wastewater Networks Investigation. The Board decision in relation to the	Doing right for the environment is one of the key aims of the corporate strategy. Reducing wastewater discharges and	The Yorkshire Water Board approved the additional investment of £40m contained within the undertakings, which included funding of

	undertakings also had to consider what it believed to be the right outcome for our customers, the environment and our partners. There was discussion directly with suppliers and environmental stakeholders on the ways in which the additional investment could be spent most effectively to benefit the environment.	improving river health are key components of this, as well as being important to customers, which is another key aim of the corporate strategy.	£3.4m to the Great Yorkshire Rivers partnership to directly benefit river health within Yorkshire. The Board believed that this was the right outcome for customers and the environment in addressing concerns around wastewater discharges.
The decision over whether or not to seek a redetermination in relation to the PR24 Final Determination from Ofwat	The PR24 Business Plan was discussed in detail with multiple stakeholder groups prior to submission to Ofwat, as set out in the Annual Report last year. The Yorkshire Water Board therefore knew that the Plan had support from stakeholders. The Final Determination provided the total funding that had been requested, although split into different types of expenditure. The Board therefore had to consider whether the Final Determination would enable Yorkshire Water to deliver its commitments to customers, communities and the environment. The Board also considered the potential impact on customers of seeking a redetermination, which may have led to a higher increase in	The entire PR24 Business Plan was based on the corporate strategy of aiming for a thriving Yorkshire, right for customers and right for the environment. The considerations by the Board included detailed reviews of the impact of the Final Determination on delivery for customers and the environment.	The Yorkshire Water Board had significant concerns in relation to the Final Determination, regarding its impact on the investability of the sector, however it concluded that the right outcome for customers, communities and the environment was not to seek a redetermination but to focus on delivery of the commitments made in the PR24 Business Plan.

	customer bills in AMP8. The Board also took into account the impact on colleagues of seeking a redetermination, both in terms of the significant resource this would require but also the potential impact on morale of delaying the outcome of the Price Review process further.		

Our corporate structure

The diagram below shows a summary of the active companies within the Kelda group. All companies are wholly owned unless stated otherwise. Details of the group's shareholders and capital structure are also published on the group's website, found at this link: keldagroup.com.

Summary of active group companies

The details and activities of the companies within the group structure chart above are as follows:

Kelda Holdings Limited – the ultimate parent undertaking for the group. Whilst the company is incorporated in Jersey, it is wholly and exclusively resident for tax in the UK.

Kelda Eurobond Co Limited – the company is incorporated in England and Wales and wholly and exclusively resident for tax in the UK. It was incorporated for the purposes of issuing bonds as part of the acquisition of the shares of Kelda Group Limited (formerly Kelda Group PLC) by the shareholders in 2008. All bond debt issued by Kelda Eurobond Co Limited is now held by Kelda Holdings Limited.

Kelda Group Limited – originally the ultimate holding company in the group and formerly a public listed company. It was incorporated in England and Wales and is wholly and exclusively resident for tax in the UK. The shares were acquired and the company de-listed in February 2008.

Other active Kelda businesses

The following group companies operate in the UK and are wholly and exclusively resident for tax in the UK:

- **Keyland** – manages the group's surplus property assets, either on its own or in partnership with outside organisations.
- **Loop Customer Management** – delivers customer service support to Yorkshire Water that includes billing and debt recovery.
- **KTM** – provides vehicle operating licence compliance and promotes safe and efficient practices for Yorkshire Water's fleet of Large Goods Vehicles.

Kelda Finance (No.1) Limited, Kelda Finance (No.2) Limited, Kelda Finance (No.3) PLC – these companies were incorporated to issue debt and raise loan financing facilities outside of the Whole Business Securitisation (WBS) Group, described below. They are all incorporated in England and Wales and are wholly and exclusively resident for tax in the UK.

Yorkshire Water Services Holdings Limited – incorporated in England and Wales and wholly and exclusively resident for tax in the UK. The company is the immediate holding company of Yorkshire Water.

Yorkshire Water Services Limited (Yorkshire Water) - incorporated in England and Wales and wholly and exclusively resident for tax in the UK. This is the main company in the Kelda group, providing water and wastewater services to the Yorkshire region.

Yorkshire Water Finance Plc, Yorkshire Water Services Finance Limited – companies within the Whole Business Securitisation described below.

Whole Business Securitisation

Yorkshire Water has had a well-established financing structure, known as a WBS, since 2009. The WBS enhances the creditworthiness of Yorkshire Water by setting strict rules that demonstrate to lenders the company is a safe and reliable business in which to invest. Lenders are therefore more prepared to lend to Yorkshire Water at lower rates which is in the long-term interest of customers.

This WBS works by placing a protective ring-fence around Yorkshire Water's business which includes the way it operates, the way it trades with other group companies outside the WBS and the way it finances itself. The protections include limits on borrowings, dividends, and the ability to lend money to other Kelda companies. The protections also require profits to more than cover the amount of interest that Yorkshire Water pays.

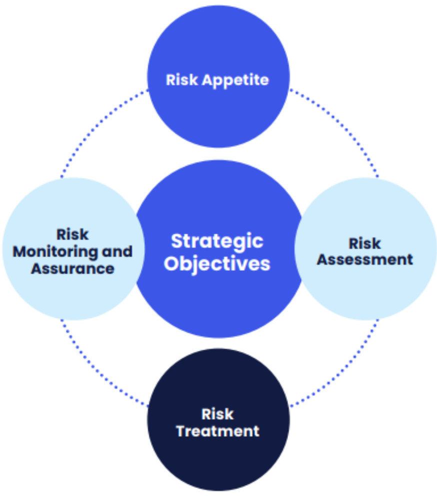
Yorkshire Water Finance plc is the principal financing vehicle for the WBS group. Yorkshire Water Services Finance Limited remains part of the WBS as a legacy finance company for debt issued prior to the introduction of the WBS. Both companies are incorporated in England and Wales and are wholly and exclusively resident for tax in the UK.

Managing risks and uncertainties

The Board is committed to strong risk management. Effective risk management helps ensure that we can meet our customers' needs and protect the environment, whilst keeping our colleagues safe and well. Risk management is at the heart of our ways of working, improving our ability to predict and prepare for challenges. It is not about refusing to take risk. The Board sets and monitors the amount of risk we are prepared to accept through our risk appetite framework to achieve our ten-year strategy. Then we have a risk management framework to assess and manage the risks to achieving our objectives.

Our risk management framework

The Yorkshire Water Audit and Risk Committee is responsible for overseeing the effectiveness of the risk management framework. The framework promotes resilience through early identification of what could go wrong, and putting controls in place to mitigate the effects before they happen. Risks are monitored against agreed appetite levels and escalated to be managed at the right level of the business.



As the largest entity of the Kelda group, Yorkshire Water Board, working with the Yorkshire Water Audit and Risk Committee maintains oversight of risk management through a combination of updates and deep dives across its various Committees. Risk identification is both bottom up and top down, and is embedded in all our operational systems and at a strategic level through horizon scanning, which involves collaborative research and annual insight into the medium to long term trends.

A corporate risk assessment matrix ensures a consistent measurement of both the impact and likelihood of various risk categories, such as customer service, finance, reputation, compliance, health and safety, environment, and people. The impact ranges from very low, for example, a minor, contained environmental event to very high, for example, a category 1 pollution event. The likelihood and frequency of these risks is also assessed, providing an overall risk score.

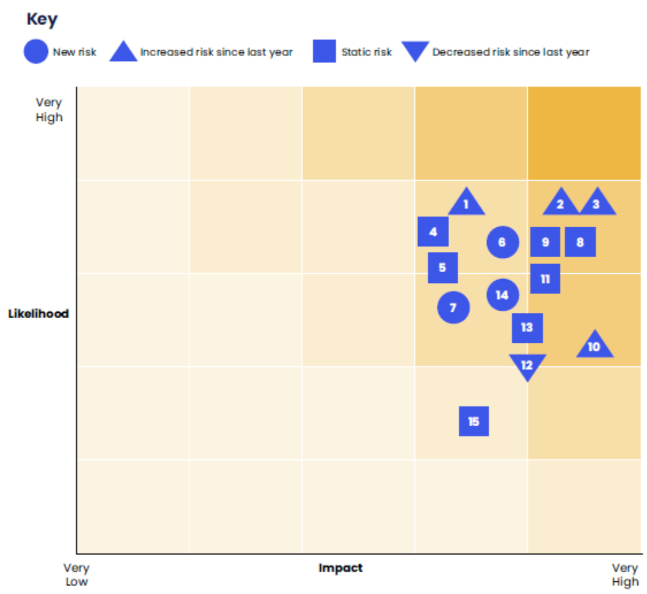
LIKELIHOOD / IMPACT	VL	L	M	H	VH
VH	5	9	18	36	72
H	4	7	14	28	56
M	3	5	10	20	40
L	2	3	6	12	24
VL	1	1	2	4	8

Our principal risks are governed by a risk appetite statement, reviewed at least annually by the Executive team and the Yorkshire Water Audit and Risk Committee. This is supported by key risk indicators monitored by the business.

Strong systems of internal control are in place to mitigate risk to an acceptable level, and where risks are outside of appetite, action plans are in place. Our coordinated three lines of assurance tests the design and operation of our controls, and the mitigation plans in place, recommending improvement action where needed. The Executive team monitors the closure of actions monthly, and the Yorkshire Water Audit and Risk Committee has oversight of the quality of the risk and assurance processes.

Our principal risks

Our principal risks are our aggregated top risks from the corporate risk register which have the potential to threaten resilience, prevent us achieving our strategic objectives or take the business significantly beyond our risk appetite. The heat map plots our current risk exposure after controls have been applied:



1. Customer experience

The risk of failing to meet the needs and changing expectations of our customers, due to failings in our systems or processes, which could lead to poor service provision and a reduction in trust in Yorkshire Water.

Change in year	Mitigations	Key updates
 as customer expectations continue to evolve and trust across the sector continues to decline **Strategic Objective** Right for customers	• Strong engagement with our customers through our Customer Forum, online customer panel and Your Yorkshire Water Your Say survey, which provide valuable insight to support our plans. • Accredited for providing an inclusive customer service through ISO 22458. • Maintenance of the Priority Services Register to support our most vulnerable customers. • Multi-digital channels allowing our customers to contact us in a variety of ways. • Customer needs are prioritised in our incident management plans throughout supply interruptions. • Teams providing specialist support to specific groups of customers such as businesses, retailers, and developers.	• Development of customer focused strategy underpinned by new colleague behaviours, with focus on doing "right for customers". • Clear plans to extend our financial support for customers into AMP8, through our five customer support schemes. • BSI Kitemark™ accreditation for Inclusive Service, and development of our vulnerable customer strategy. • Implementing a new customer management system across some of our operations. • Rolling out the new customer focused triage and response model across some of our operational areas, ensuring we work better across our teams to deliver to our customer needs. • Deep dive learn and review model to ensure we learn from any significant complaints and take corrective action.

2. Treating wastewater

The risk of failing to transport and treat wastewater effectively, impacting our ability to return clean water to the environment. This could be due to insufficient capacity, operational issues including severe weather, poor asset management or equipment failures, leading to impacts such as pollution or flooding, causing harm to customers or our environment.

Change in year	Mitigations	Key updates
 **Strategic Objective**	• Drainage and Wastewater Management Plan. • Operational technology to optimise assets in real time.	• Investment being brought forward from AMP9 to improve our treatment works and networks to ensure compliance.

Right for customers Right for the environment Improve Asset Performance	• Asset data management and integration to enable effective monitoring and maintenance planning including chemical dosing, sampling programmes, site inspections. • Customer and Field, Asset Management, River Health and Pollution teams supported by 24/7 central control and wastewater service partners. • Customer engagement programmes focusing on safe use of the wastewater network.	• Development of interactive Drainage and Wastewater Management Hub and event duration monitoring on the Yorkshire Water website. • Significant investment in the year to install customer sewer alarms, reduce storm overflows, and improve bathing water quality. • Pollution Incident Reduction Plan in place, which has been reviewed by Cranfield University. • Ongoing delivery of the Water Industry Natural Environment Programme, which has seen a projected 72% reduction in phosphorus in Yorkshire rivers since it began.

3. Enough clean, safe drinking water
The risk of disruptions to the supply of clean water to customers or an environmental impact from our clean water operations. This could be due to insufficient network capacity, equipment and infrastructure failures, raw water contamination, inadequate maintenance, or other factors.

Change in year	Mitigations	Key updates
  Strategic Objective Right for customers Right for the environment Improve Asset Performance	• Drinking Water Safety Plan, Water Resource Management Plan and Drought Plans • Governance and oversight programmes for key performance outputs, such as reservoir safety and integrity, and water quality sampling and improvement programmes. • Monitoring of water supply and quality metrics. • Onsite power generation and uninterrupted power supply systems at many sites to mitigate against external power disruption. • Customer and Field, Asset Management, Production, Distribution, Quality and Efficiency teams supported by 24/7 central control and clean water service partners.	• Moving to predictive and preventative maintenance of assets using condition and performance monitoring. • Raw water levels being actively monitored with mitigation plans deployed to address low levels when necessary. • Calm networks training delivered to all field staff to reduce network failure. • Significant improvement in our Compliance Risk Index, which is a measure of our water quality. • 20,000 smart meters exchanged and a further 80,000 installed in the year. • The procurement of a new contract with Water Direct to provide alternative water supply support in the event of interruption.

		• Various power resilience groups established to improve asset resilience, share best practice, monitor, coordinate, respond and recover from unplanned power outages and disturbances.

4. Climate change and carbon transition

The risk that we may fail to adapt to climate change and achieve carbon targets, due to insufficient planning, investment or delivery. This could lead to unacceptable service levels due to weather events, failure to meet performance commitments, excessive costs, plus damage to our assets.

Change in year	Mitigations	Key updates
 Strategic Objective Right for customers Right for the environment	• Partnership approaches to develop resilient low-carbon assets and system-based solutions, including engagement with steering groups and consultation across the region. • Development and on-going delivery of Yorkshire Water's rapid emission reduction plan. • Integration of whole life-cycle carbon considerations within the capital delivery process. • Adaptive pathway approach to allow flexible decision-making in key plans • Whole-catchment management and nature-based solutions to maintain a resilient water supply and wastewater network. • Flood response plans, vulnerable asset plans and natural flood management techniques.	• Climate change has informed our long-term plans, including those submitted as part of PR24. • Improvements in renewable energy generation through our bioresources and solar programmes have enhanced our power resilience and reduced emissions associated with energy use. • Key partnerships are ongoing, such as Living with Water in Hull and East Riding, and Connected by Water in South Yorkshire. • Publication of the Yorkshire Water 2025 Climate Adaptation Report.

5. Public and colleague safety

The risk of failing to protect the safety, health and wellbeing of our colleagues, contract partners and customers, as a result of ineffective identification, design or operation of necessary controls, which leads to harm.

Change in year	Mitigations	Key updates
	• Health and safety policies, procedures and standards are	• Continued focus on wellbeing with mental health first aider training

Strategic Objective Sustainable Business	compliant to ISO 45001 Occupational Health and Safety. • Mandatory safety training for colleagues and contract partners. • Clear communication strategy for both colleagues and customers. • Monitoring incidents and near misses, including lessons learnt activities. • Health and safety site visits and inspections. • Process Hazard Reviews testing process safety controls and identifying any action plans. • Life-saving rules and Stop Work principle embedded in the business to provide all colleagues with key safety advice. • Strong governance in place with health and safety discussed at every Yorkshire Water Board and Executive meeting, as well as at the Safety, Health and Environment Committee of the Yorkshire Water Board.	programmes, wellbeing groups and leads representing all business areas. • Continued low level of Lost Time Injury Rate in the year. • Colleague Personal Safety and Security working group to support colleague safety in the field. • New Partner Health, Safety and Environment Directors' Forum, and continued strong engagement with contract partners.

6. Supply chain issues The risk that an event in our supply chain may disrupt the flow of materials or services from suppliers to Yorkshire Water, leading to business disruption.		
Change in year	**Mitigations**	**Key updates**
New **Strategic Objective** Sustainable Business	• Proactive contract and supplier management. • Robust commercial agreements designed to secure value. • Monitoring of short, medium and long-term supply chain risks, including financial health. • Strengthened in-house expertise in relation to supplier and contract management.	• Our plans for AMP8 include governance and optimisation initiatives to mitigate any loss of supply chain or significant disruptions. • Framework agreements have been put in place for AMP8 where appropriate. • We continue to use local suppliers where appropriate, in line with our Sustainable Business Framework. • There has been considerable activity in readiness for the Procurement Act 2023.

7. Technology and data

The risk of our data being unreliable, and failures in our technology or data systems and processes leading to adverse impacts to our operations, customer services, or to our decision making and reporting.

Change in year	Mitigations	Key updates
New **Strategic Objective** Sustainable Business Strategic Change	• Information and operational technology frameworks. • Technology incident response processes and business continuity plans. • Technology asset monitoring (detection and response) tools. • Data governance and data quality frameworks with associated forums and processes, including change advisory boards. • Data loss prevention tools. • Supplier relationship frameworks, policies for engagement, contract management and business continuity plans. • Key resource and supplier engagement for critical technology.	• Mobilised and expanded resources in our Technology Governance Risk and Compliance function. • Developed and embedded the Technology Audit Control Framework. • Enhanced review of technology and data risks, building on current approach and methodology to enhance oversight and response.

8. Physical and cyber security

The risk that our core operational capabilities are compromised through physical or cyber threats, resulting in insufficient services to our customers, regulatory breaches and colleague impacts.

Change in year	Mitigations	Key updates
 **Strategic Objective** Sustainable Business	• Security compliance framework and related assurance activities. • Security governance and oversight in place including governance and risk frameworks at all levels in the business. • Policies, standards and procedures to support user access control, and identity and access management ensuring colleagues have the right access to do their jobs • Network security and endpoint protection to reduce risk of cyber breach. • Mandatory training for all	• Cyber Security Resilience Bill readiness activities. • Invested in heightened threat intelligence capabilities and tools. • Established Security Steering Group delivering cyber security strategy, risk management framework, regulatory compliance and holistic security governance. • Training, development and communications to all colleagues focused on maturing the security culture, including phishing simulations.

	colleagues covering all aspects of cyber and protective security. • Physical security controls appropriate to criticality of assets. • Incident response and business continuity plans.	

9. Political, regulatory or statutory change The risk that we fail to effectively influence and then adapt to changes in the political and regulatory landscape, or that we are not able to secure outcomes that enable us to deliver in line with our commitments for customers and the environment.		
Change in year	**Mitigations**	**Key updates**
 **Strategic Objective** Sustainable business	• Annual strategic review including horizon scanning of medium and long-term risks. • Strong stakeholder relationships and participation in national working groups, such as Water UK and UK Water Industry Research. • Engagement with key stakeholders, both locally and nationally, to ensure a strong understanding of their needs and expectations.	• Engagement in the Independent Water Commission and responding to the call for evidence in detail. • Activities to ensure readiness for the Water (Special Measures) Act secondary legislation.

10. Delivery of required strategic change The risk of failing to deliver the strategic change required to deliver our plans for AMP8, resulting in our financial and strategic objectives not being realised, impacting on colleagues, customers and the environment.		
Change in year	**Mitigations**	**Key updates**
 **Strategic Objective** Strategic Change Right for customers Right for the environment	• Established Enterprise Change function, providing governance and driving collaboration. • Senior Change Business Partners, dedicated training teams and engagement plans ensuring colleagues are supported through change programmes from readiness to implementation. • Regular programme boards including change release plans and benefits sustainability reviews.	• Strategic change has been delivered in multiple areas in the year, including through people initiatives, new ways of working in wastewater, improved technology solutions for customers, and improvements in data quality. • Implemented our Drive to Thrive programme, capturing lessons learnt from change delivered in AMP7, which will govern the large-scale strategic change programme for AMP8.

	• Agile internal audit assurance throughout the change programmes. • Development of dashboard reporting and Performance Excellence measures to monitor progress.	

11. Compliance

The risk of failing to comply with our legal and regulatory obligations, either through failing to identify and understand requirements, or through failing to deliver on these through our policies, processes, systems, colleagues and partners, leading to adverse outcomes for customers or the environment, as well as reputational and financial impacts.

Change in year	Mitigations	Key updates
 **Strategic Objective** Right for customers Right for the environment Sustainable business	• Compliance framework to cover how we identify, assess and manage our obligations, encompassing all requirements including roles and responsibilities, controls and improvement plans. • Central compliance register which logs all obligations and framework activity, including improvement actions as needed. • Dedicated central Compliance team providing oversight, reporting and challenge supported by compliance leads and subject matter experts across the business. • Integrated Management System which has been developed with policies, procedures, and standards accredited to relevant ISO standards, which supports all operational teams. • Mandatory compliance e-learning modules for colleagues.	• We have refreshed our internal compliance assessment methodology, with the aim of enhancing visibility of areas that need improvement. • Central Compliance and Risk teams working collaboratively to enhance documentation and assessment of compliance risks. • Focus on compliance through the refresh of our strategy and colleague behaviours.

12. Financial sustainability

The risk of failing to meet our financial obligations and/or access funding at acceptable market rates, due to deteriorating financial metrics, credit rating downgrades or capital market turbulence.

Change in year	Mitigations	Key updates

Strategic Objective Sustainable business	• Annual long-term viability assessments • Annual budget approved by the Board with appropriate headroom on financial metrics, subject to monthly performance reporting, analysis and action as needed. • Quarterly treasury update to the Board. • Financial treasury policies and procedures, including 15-month liquidity target. • Controls through financial risk management policies and processes. • Dividend policy aligned with Ofwat guidance and licence conditions, requiring financial resilience to be considered by the Board prior to any payments. • Regular support from external and internal specialists, and in-house counsel.	• We received a £100m intercompany loan repayment from Kelda Eurobond in May 2024. • Two credit rating agencies, Standard & Poor's (S&P)and Fitch, downgraded our Class A debt and Class B debt by one notch during the year, however the outcome of the Final Determination means we now have a stable outlook across all three of our rating agencies. • As of 31 March 2025, we have £1.6bn of available liquidity, sufficient to cover cashflows until September 2026.

13. People: talent, culture, succession, and retention
The risk that organisational capacity and capability may be impacted by a decline in employee morale, trust, and goodwill, due to Yorkshire Water not having the right policies, procedures or career opportunities in place.

Change in year	Mitigations	Key updates
No change **Strategic Objective** Engaged, high-performing team	• Documented people policies, standards, procedures and toolkits supporting the recruitment and ongoing management of colleagues. • Mandatory training and further development opportunities including the Learning Academy and leadership pathways. • Performance Excellence Framework including Talking Performance with coaching support. • Stakeholder engagement with Trade Unions at all levels. • Equality, Diversity and Inclusion	• Delivered a multi-layered leadership development offering, including for existing and aspiring leaders. • Inaugural "Drive to Thrive" awards championing colleagues who have embodied the required behaviours and values • Redesigning the Yorkshire Water culture and behaviours aligned with AMP8 objectives and the long-term strategy. • Colleague pension rewards and flexible benefits scheme simplified. • Enhanced Equality, Diversity and Inclusion reporting with updated

	initiatives with various networks. • Twice-yearly Yorkshire Voice survey with leaders' analysis and action tracking. • HR business partner model established supporting the wider business.	Yorkshire Voice questions and diversity.

14. Responsible land and property management

The risk that we fail to effectively manage our land and property either through failing to identify and understand requirements, or through failing to deliver these, resulting in us not meeting the needs of our business, colleagues, tenants, partners and the environment, and our legal and regulatory obligations.

Change in year	Mitigations	Key updates
New **Strategic Objective** Sustainable business Right for customers Right for the environment	• Strong stakeholder and partner relationships to ensure that we optimise our land holding, while managing and mitigating risks. • Buffer zones established around Sites of Specific Scientific Interest (SSSIs) to protect from construction and operational activities. • Membership of groups, such as the Major Landowners Group, to enable strategic issues to be raised and resolved. • Health and safety activity including building condition surveys and communication campaigns to increase customer awareness and safety on our land and property. • Regular hubs, reporting and monitoring in relation to our land and property, as well as regular audits and inspections by internal and external teams.	• SSSI Steering Group established to support compliance with our SSSI favourable condition expectations by 2042. This includes the SSSI improvement plan in which we provide progress updates, including issues and actions required to meet the SSSI targets. • Emerging land use considerations such as Biodiversity Net Gain requirements being assessed for implementation. • Enhanced building surveyor resources to manage, monitor and maintain rural, residential, recreational and corporate buildings.

<table>
<tr><th colspan="3">15. Governance, conduct and organisational resilience
The risk of failing to meet the expectations of our stakeholders in relation to our conduct, reporting or our business resilience, through insufficient governance and oversight. This could result in reduced stakeholder trust and inadequate resilience.</th></tr>
<tr><th>Change in year</th><th>Mitigations</th><th>Key updates</th></tr>
<tr><td>
Strategic Objective
Sustainable business</td><td>• Board oversight of governance and conduct.
• Integrated assurance approach across second and third line assurance activity.
• Code of Ethics in place to set out the expected conduct of colleagues and partners, with mandatory training provided for all colleagues.
• Specialist Legal, Data Protection, Risk, Internal Audit, Compliance and Organisational Resilience teams supported by external expertise providing the wider business with advice and guidance
• Suite of policies and audits to manage risk of material fraud.
• Liaison with external emergency responders and Local Resilience Forums, as well as national groups in relation to resilience.</td><td>• Testing of our resilience plans in the year, both internally and as part of external exercises.
• Key focus on assurance processes and reporting to meet evolving regulatory expectations.
• Programme of risk deep dives and review of risk appetite at Board level.
• Privacy by Design approach for system changes increasing automation and reducing risk of data breaches caused by human error.</td></tr>
</table>

Delivering and governing our investment programmes

Our Business Investment Committee governs the delivery of our investment programmes. Capital additions for 2025 were £888.7m (2024: £684.6m) (see note 10 to the Financial statements). Our investment programmes enable us to maintain and enhance our operational efficiency and the resilience of our infrastructure. We are increasingly focused on how we ensure the most sustainable investment choices are made with consideration for carbon reduction and nature-based solutions, as part of our Nature First commitment.

Our programme of capital investment supports the delivery of service level performance improvements required to meet stretching targets and regulatory commitments. Our single largest programme in AMP7, to deliver our Water Industry National Environment Programme (WINEP) commitments, is coming to an end. The benefits of this £701.4m investment have seen improvements to the environment and to river health across Yorkshire. Other significant investments have been made to meet legal and statutory Drinking Water Inspectorate demands and to reduce the frequency of storm overflows, where an investment of £180m has allowed improvement work to be carried out at 120 combined sewer overflows.

Our capital investment programme is set to continue to increase as we go into our first year of the new AMP, where we expect to deliver our biggest annual programme to date. Focus areas for this investment will be new commitments under the Water Industry National Environment Programme and a significant investment in storm overflows.

Managing and governing our borrowing requirements

Our financing strategy is designed to manage exposure to fluctuations in interest rates, to rule out speculation, and to source and structure our borrowing to meet projected funding requirements. Our treasury operations are controlled by a central team on behalf of Yorkshire Water and other companies in the Kelda Holdings Limited group (Kelda group).

Total borrowings were £7,054.5m as at 31 March 2025 (2024: £6,232.3m) and net debt was £6,494.3m at 31 March 2025 (2024: £6,061.9m). The maturity profile of our borrowings and further detail on net debt are set out in notes 12 and 20 of the Financial Statements.

Senior net indebtedness to RCV (Senior RAR (Regulatory Assets Ratio) or gearing) is a key covenanted gearing ratio within our financing arrangements, and gearing levels are monitored and forecast on a regular basis. On a covenanted basis, at 31 March 2025, Yorkshire Water Financing Group's (YWFG) (being Yorkshire Water Finance PLC, Yorkshire Water Services Limited and Yorkshire Water Services Finance Limited) Senior RAR was 72.5% (2024: 70.8%). These metrics are fundamental to discussions with investors and is our covenant number, therefore a key performance indicator for the business. A reconciliation of this percentage to the closest statutory measure can be found in the *Alternative finance performance measures section.*

Our operations and investments are financed through a combination of retained profits, long-term debt instruments, finance leases and bank facilities. Any new funding is raised in the name of the appropriate group company and subject to relevant debt covenants. Within the conditions of the Whole Business Securitisation (WBS), explained later in this *Strategic report*, funds raised may be lent to or from Yorkshire Water on an arm's length basis.

Any cash surplus to operating requirements is invested in short-term instruments with institutions having a long-term rating of at least A-/A-/A3 and a short-term rating of at least A1/F1/P1 issued, respectively, by S&P Global Ratings (S&P), Fitch Ratings (Fitch) and Moody's Investors Service (Moody's).

During the year, we:

- Raised £400m of debt in the form of public sustainable bonds with a maturity date of November 2034 and a coupon rate of 6.375%. The net proceeds from the issue of these bonds were loaned to Yorkshire Water for use in the funding of our capital expenditure programme;
- Raised combined net proceeds of £239m in January 2025 through tap issuances against three sustainable bonds with 2030, 2034 and 2035 maturity dates and coupon rates of 5.25%, 6.375% and 5.5% respectively. The proceeds were loaned to Yorkshire Water for use in the funding of our capital expenditure programme;
- Issued £100m of debt in the form of CPI index linked notes with a maturity date of October 2039 and a coupon rate of 4.276%;
- Raised £50m of debt in the form of private placement notes;
- An option was exercised during November to extend the term of the Yorkshire Water's Revolving Credit Facility (RCF) by 12 months to November 2029;
- An option was exercised during July to extend the term of a £80m committed credit facility to July 2027. Two further options to extend for a further year are available at each of the second and third anniversaries of initial execution;
- Renewed a liquidity facility in March 2025 at £148.5m with five banks, which is required as a standby facility to cover our operating and maintenance cost obligations; and
- Extended the date of issuance on the rolling five-year evergreen debt service reserve guarantee issued by Assured Guaranty UK Limited to maintain the five-year term. Required to cover Yorkshire Water's debt service obligations, the level of facility was increased to £220m.
- In June 2025, Kelda Finance (No.2) Limited prepaid external debt totalling £95m that was due to mature in December 2025. As a result, outstanding external debt at Kelda Finance (No.2) Limited reduced to be equivalent to approximately 4% (2024: 5%) of YWS RCV.

To date, £2,650m of debt financing has been raised in accordance with our Sustainable Finance Framework, which aligns the group's financing with its long-term strategy and values as discussed earlier in this *Strategic report*. We expect that the majority of Yorkshire Water's debt will continue to be issued in accordance with this framework, with reporting aligned to our Six Capitals approach to give stakeholders an insight into the impacts of the group and its investments.

Credit ratings

Yorkshire Water and its financing subsidiaries have credit ratings assigned by three rating agencies. These provide an external view on creditworthiness for our debt investors. The latest published ratings are as follows:

Credit rating agency	Class A rating	Class B rating	Outlook	Date of publication *(latest available)*
Fitch	BBB+	BBB-	Stable	April 2025
Moody's	Baa2	Ba1	Stable	February 2025
S&P	BBB+	BBB-	Stable	February 2025

On 4 February 2025, Moody's affirmed its ratings with a stable outlook having changed to a negative outlook ahead of the publication of Ofwat's Final Determination in December 2024.

On 6 February 2025, Fitch downgraded its rating of Class A debt to BBB+, affirmed its rating of Class B debt at BBB- and maintained an unchanged stable outlook.

On 18 February 2025, S&P downgraded its ratings of Class A and Class B debt to BBB+ and BBB- respectively and changed the outlook to stable.

The most recent credit rating reports for all three of the rating agencies that assign credit ratings to Yorkshire Water and the other companies within the YWFG can be found on our group website at keldagroup.com/investors/creditor-considerations/ratings-reports.

Managing financial risk and hedging

Treasury operations are governed by guidelines for the management of interest rate risk, foreign exchange risk, exposure to fluctuations in the rate of inflation and the use of financial instruments. A broad portfolio of debt is maintained, diversified by source and maturity, designed to ensure there are sufficient funds available for operations. Treasury policies and procedures are incorporated within our financial control procedures.

The long-term sustainability of the group's financing is of primary importance. Levels of debt and associated measures, such as gearing and interest cover, are monitored frequently and forecast against levels defined in financing documents and those needed to protect the group's credit ratings. These forecasts take account of future expectations and stress-case scenarios relating to future business performance, future regulatory price determinations, economic conditions, and market conditions. We have provided more information about credit ratings later in this section.

Our Executive team receives regular reports from all areas of the business to enable prompt identification of financial and other risks so that appropriate actions can be taken.

Our operations expose the group to a variety of financial risks that include the effects of changes in debt and loan market prices, inflation, liquidity, interest rates and exchange rates. Derivative financial instruments, including cross-currency swaps, interest rate swaps, and forward currency contracts, are employed to manage the interest rate and currency risk arising from the debt instruments used to finance our activities. Having assessed liquidity requirements, we continue to target to hold at least 15 months of future cash requirements at all times. Activity during the year, has been focussed on continued achievement of this level.

Our revenues are partly linked to the underlying rate of inflation, principally measured by the consumer Price Index including owner-occupiers' Housing costs (CPIH) and is therefore subject to fluctuations in line with changes in CPIH. In the absence of any management action, negative inflation could potentially lead to a breach of gearing limits, however this risk is mitigated by Yorkshire Water maintaining levels of inflation linked debt and being a counterparty to inflation linked swaps.

For inflation linked swaps, receipts are based on the historical Sterling Overnight Index Average (SONIA) for an interest period, and interest is paid at fixed amounts plus Retail Prices Index (RPI). Movements in RPI are also applied to the nominal value of inflation linked debt and swaps to determine additional amounts to be paid either at maturity or during the life of some inflation linked swaps. Therefore, to the extent that they occur, the impact of CPIH reductions on income and RCV is mitigated by reduced interest charges and lower value of inflation linked debt used in calculating gearing as a percentage of RCV.

The maturity dates of the group's portfolio of inflation linked swaps ranges from 2028 to 2063. The swaps held by the group gave rise to a net negative fair value at 31 March 2025 of £1,193.0m (2024: £1,490.3m). See note 20 to the Financial Statements for more details on the financial derivatives held by the group.

We aim to manage commodity price risk, especially energy prices, by fixing contract prices where possible and operating within an energy purchasing policy that is designed to manage price volatility risk. We typically hedge significant proportions of the electricity baseload up to three years in advance; however, the purchasing strategy is flexible, considering market conditions.

As at 31 March 2025, Yorkshire Water had fixed over 88% of its forecast baseload energy requirements for the year to 31 March 2026 and 61% of forecast requirements across AMP8. Hedges were made through a combination of forward commodity hedges and corporate power purchase agreements.

The percentage figures are presented relative to the purchased baseload volume. Yorkshire Water leaves an additional 10-15% of the total purchased electricity volume to the Day Ahead index to make allowances for variations in volume due to operational factors.

In addition to the above financial management measures, our insurance team also works to ensure that we manage and mitigate our exposure to costs from public liabilities and physical damage to our assets.

Corporation tax

The accounting tax charge included in these Financial Statements of £54.9m (2024: £3.8m charge) is mainly due to the non-cash movement in the group's deferred tax provision.

The deferred tax provision represents the temporary differences between the carrying value of assets/liabilities in the group accounts and their tax carrying value in tax returns. This is calculated at the prevailing rate of corporation tax. Temporary differences will reverse in the future so the provision becomes taxation payable. Other differences between accounts and tax returns are permanent differences as they represent costs or revenue that are not subject to corporation tax.

The 2025 and 2024 movements in deferred tax are mainly due to:

- Timing differences between when capital assets are depreciated for accounts purposes versus tax depreciation; and
- The effects of changes in the fair value liability of the group's inflation linked swap portfolio. Increases or reductions in the fair value liability of the group's inflation linked swap portfolio represent an increase or reduction in the net interest the financial markets expect will be payable on those inflation linked swaps in future years. Changes to the fair value of the liability are not tax deductible under UK tax regulations as tax deductions are only available as and when the future interest payments are actually paid. The increase in the fair value of the inflation linked swap portfolio will therefore create an accounting cost which is not subject to taxation until the interest is paid and therefore creates a timing difference. The fair value of the inflation linked swap portfolio can fluctuate significantly and there will be a consequential impact on the deferred tax provision.

A full reconciliation of the group tax charge for the year is contained in note 8 to the Financial Statements. The group continues to believe that it has made adequate provision for current tax and deferred tax liabilities. The ultimate liability for such matters may vary from the amounts provided and is dependent upon HM Revenue & Custom's agreement of the basis on which the group's tax returns are filed. In assessing these tax uncertainties, management is required to make judgements, evaluating the circumstances, facts and other relevant information in respect of the tax position taken together with estimates of amounts that will be necessary to provide. The nature of the group's uncertain tax positions can relate to complex tax legislation that can be open to interpretation. Original estimates are always refined as additional information becomes known. Any uncertain tax positions are assessed using internal expertise, experience and judgement together with assistance and opinions from professional advisors. There are no current material uncertainties.

Our financial performance

	2025 performance	2024 performance
Revenue Income receivable for services provided	£1,302.6m	£1,233.1m
Operating profit Revenue less operating expenses	£316.4m	£281.2m
EBITDA Earnings before interest, tax, depreciation, amortisation, and exceptional items *- Reconciled to Profit before taxation later in this section*	£685.6m	£665.6m
Net liabilities	(£616.0m)	(£633.3m)
Net debt[#1] See note 20 of the Financial Statements	£6,494.3m	£6,061.9m

[#1] Net debt shown above is as reported in the Financial Statements, which includes accounting adjustments such as fair valuation and discounted cashflow - please see note 20 of the Financial Statements for more details.

Below we explain the highlights of our financial performance:

Revenue, over 99% of which originates in Yorkshire Water, increased by £69.5m compared with 2024. UK regulated water and wastewater services revenue has increased in line with revenue allowances which rose by around 5.9% due to allowed Consumer Prices Index increases including owner-occupiers' Housing Costs (CPIH) inflation of 4.2%.

Operating costs have increased by £34.3m from £951.9m to £986.2m and again primarily arise in Yorkshire Water. increased costs in the year relate to staff costs, bad and doubtful debts, water quality permit charged and business rates, offset by lower hires and contracted services activity and energy costs. We continued to strengthen our cost control across the business throughout the year which has mitigated additional operational pressures resulting from severe weather, including five named storms in the period from September 2024 to January 2025, and the driest Spring in Yorkshire for 132 years.

Overall, the net impact of the above movements result in an increase in operating profit of £35.2m (12.5% increase) and an increase in EBITDA to £685.6m (2024: £665.6m). A reconciliation between EBITDA and the statutory measure can be found below.

Net finance costs for the year are £254.9m compared with £483.7m cost in 2024. This reduction is predominantly a result of the large favourable fair value movements on financial instruments which have increased from £73.7m to £311.6m. See our *Managing financial risk and hedging* earlier in this *Strategic Report* for more detail.

Overall, the group made a profit before tax of £61.8m (2024: £200.4m loss), and after taxation of £54.9m (2024: £3.8m) we are reporting a profit for the financial year for 2025 of £6.9m (2024: £204.2m loss). This represents an adjusted loss for the financial year of £226.8m (2024: £259.4m adjusted loss). A reconciliation between this and the statutory measure can be found below.

EBITDA is calculated as follows:

	2025 £m	2024 £m
Profit/(loss) before tax	**61.8**	(200.4)
Add back net finance costs	**254.9**	483.7
Add back depreciation and impairment (note 10)	**318.5**	338.8
Add back amortisation of intangible assets (note 9)	**50.4**	43.5
EBITDA	**685.6**	665.6

EBITDA is the primary measure used by management and the Board to assess the financial performance of operations as it provides a more comparable assessment of trading performance year-on-year. It is also a key metric used by investors to assess the performance of our operations.

Adjusted loss is calculated as follows:

	2025 £m	2024 £m
Profit/(loss) before tax	**61.8**	(200.4)
Deduct fair value movements (note 7)	**(311.6)**	(73.7)
Total	**(249.8)**	(274.1)
Effects of taxation*	**23.0**	14.7
Adjusted loss	**(226.8)**	(259.4)

* Effects of taxation represents the total tax charge (current and deferred tax) on adjusted loss. This is calculated by adjusting the total tax charge included in the profit and loss account as shown in note 8 to the Financial Statements for the deferred tax associated with the adjusting items noted above.

Adjusted loss excludes exceptional items and fair value derivative movements. This excludes volatile balances and provides a more stable view of profitability to management and is therefore a valuable metric to the business.

The Strategic Report was approved by a duly authorised committee of the Board of directors on 10 July 2025 and was signed on its behalf by:

Nicola Shaw CBE

Chief Executive Officer

Principles of Corporate Governance

The Board has clear obligations to the group shareholders and other stakeholders, including customers, colleagues, suppliers, local authorities, regulators and the environment, on which we are dependent for our water resources now and in the future. To ensure we build and maintain the trust of all of our key stakeholders we seek to operate with exceptional governance, doing the right thing and remaining open and accountable at all times.

This report describes how the Board of the group discharge their duties in respect of corporate governance. Further information on how Yorkshire Water, as the principal trading subsidiary of the group, approaches corporate governance can be found in the ARFS of Yorkshire Water. This report voluntarily aligns to the UK Corporate Governance Code where it is relevant to privately-owned companies.

Group structure

The structure of the group and its principal operating subsidiaries is transparent and explained in a clear and simple way on the group’s website. Details of the group’s shareholders and capital structure are also published on the group’s website.

The simplified group structure is set out in the Strategic Report.

Leadership

The Board composition

The Board comprises an Independent Non-Executive Chair, eight Investor Non-Executive Directors and two Executive Directors. On 21 August 2024 Bhavik Patel was appointed to the Board in place of Jessie Jin.

The composition of the Board at 31 March 2025 was therefore as follows:

Independent Non-Executive Chair – Vanda Murray

Executive Directors

Nicola Shaw	- CEO
Paul Inman	- CFO

Investor Non-Executive Directors

Simon Beer	- SAS Trustee
Andrew Dench	- GIC
Bhavik Patel	- GIC (appointed 21 August 2024)
Russ Houlden	- Corsair
Mark Lorkin	- Corsair
Hari Rajan	- Corsair
Scott Auty	- Pan-European Infrastructure Fund
Isabelle Caumette	- Pan-European Infrastructure Fund

After the year-end there were some further changes to the Board. The CFO Paul Inman retired from the Board on 31 May 2025 and he was replaced on 1 June 2025 by Martin Gee. Bhavik Patel also resigned from the Board on 19 May 2025 and was replaced by Kamal Abi-Salloum on 19 May 2025.

Also, Russ Houlden (27 June 2025), Mark Lorkin (25 June 2025) and Hari Rajam (26 June 2025) resigned from the Board. Gateway Infrastructure GP (UK) LLP was appointed as the fund manager for the Gateway companies on 4 June 2025, in place of Corsair.

The biographies of the Board can be found in the Directors' report.

Vanda Murray, Nicola Shaw and Paul Inman were also members of the Board of Yorkshire Water during the year, along with Andrew Dench, Isabelle Caumette and Russ Houlden who serve as Investor Non-Executive Directors. The appointment of investor Non-Executive Directors to the Yorkshire Water Board in September 2017 has brought considerable benefit to the Board of Yorkshire Water through closer interaction with the shareholder representatives and an increased diversity of skills and experience, whilst ensuring that the Independent Non-Executive Directors remain the largest group on the Yorkshire Water Board.

Nicola Shaw and Paul Inman also held directorships within other Kelda group companies during the year. Simon Beer, Mark Lorkin and Isabelle Caumette were also directors of Kelda Finance (No.2) Limited during the year.

Vanda Murray is the independent Chair of Yorkshire Water Services Limited and Kelda Holdings Limited.

The roles of the Chair and CEO are separate and clearly defined. There are clear levels of delegated authority, which enable management to take decisions in the normal course of business. Statements of their roles and responsibilities, formally agreed by the Board, are published on the company's website at keldagroup.com.

Board structure and attendance

The Board held three meetings during the year. The table below shows the number of meetings attended by each director out of possible attendances. The Board's expectation, practice and experience are that all directors attend and fully participate in each Board meeting however this has not always been possible during the year due to other commitments.

Board attendance

	Attended	Out of possible
Vanda Murray	3	3
Scott Auty	1	3
Simon Beer	2	3
Isabelle Caumette	2	3
Andrew Dench	2	3
Russ Houlden	3	3
Paul Inman	3	3
Jessie Jin	-	1
Mark Lorkin	2	3
Bhavik Patel	1	2
Hari Rajan	3	3
Nicola Shaw	1	3

Board responsibilities

The Board is ultimately accountable to its stakeholders for its activities. Further details on stakeholders can be found in the *Corporate Governance Report* in the *Yorkshire Water ARFS* which can be found at yorkshirewater.com/about-us/reports.

The Board has a schedule of matters reserved for its decision and the requirement for Board approval on these matters is communicated widely throughout the senior management of the group.

The matters reserved to the Board include the principle that the group must not act in a way which would prevent Yorkshire Water from complying with its Instrument of Appointment and the Water Industry Act and any other requirements of the relevant regulatory regime. This accords with provisions contained within the shareholders' agreement, to which the company is a party. The directors remain mindful of their duty to ensure that this requirement is met in their consideration of any matters relating to Yorkshire Water and the Kelda group as a whole.

The Kelda Holdings Board provides the Board of Yorkshire Water with the information it reasonably requires about the activities of the wider Kelda group. It also expects to continue to support Yorkshire Water, to the extent required, in operating in a sustainable way (including making long-term decisions) in line with the long-term nature of the water sector. The Board does not consider that there are currently any issues at the Kelda group level that may materially impact on Yorkshire Water.

As set out in the ARFS of Yorkshire Water, a number of steps have been taken by Yorkshire Water to ensure full compliance with the Ofwat Principles published in 2019. The Board expects to continue to support Yorkshire Water, to the extent required and applicable, in complying with the Ofwat Principles.

The schedule of matters reserved to the Board refers to group-related matters which would normally be considered by a shareholding company, including the following key matters:

- The group's strategic plans and key policies;
- Approval of the business plans for the group as a whole, including those trading companies within the group that sit outside of Yorkshire Water;
- Approval of interim and annual Financial Statements;
- Approval of dividends paid by the company;
- Significant investment and major new business proposals;
- The establishment and review of the group's system of internal control and risk management and the annual review of its effectiveness; and
- Any significant organisational and corporate governance arrangements.

The Board of Yorkshire Water also has a schedule of matters reserved and this specifically includes approval of the company's own strategic business plans. This is explained in the ARFS of Yorkshire Water.

Board activities

During the year, the Board received detailed monthly reports prepared by management on the group's operations although its focus was on Yorkshire Water as its core regulated business. Matters considered by the Board during the year were largely those reserved for the Board's approval.

Conflicts of interest

There is a clear process for the disclosure of any potential conflicts by the directors to the Board and if appropriate for the authorisation of such conflicts. All of the directors are required to notify the Company Secretary if they believe a conflict situation might arise and directors are required to consider any conflicts at each Board meeting. The directors do not consider that during the financial year any actual conflicts of interest have arisen between the roles of the directors as directors of the group and any other roles which they may hold.

Appointment of directors

New directors joining the company are given a broad and comprehensive induction to the business, as appropriate, consisting of site visits, meetings with key personnel and detailed information relating to the business, as well as any training specifically required in relation to the duties of directors and their role on the Board.

Directors' training and development

The Board receives regular updates on governance-related matters and more formal training where appropriate. Training is available to directors on, and after, their appointment to meet their requirements. The Chair keeps this under review and agrees any training and development needs with the individual directors.

There is an agreed procedure for directors to take independent professional advice at the company's expense in furtherance of their duties in relation to Board matters.

Directors have access to the Company Secretary who is responsible for ensuring that Board requirements are met and procedures are followed in accordance with good governance. She also facilitates the flow of communication between senior management and the Non-Executive Directors.

The directors receive full and timely access to all relevant information, including a monthly Board pack of operational and financial reports. Direct access to key executives is encouraged.

The company has directors' and officers' liability insurance in place.

Board effectiveness review

The Board of Yorkshire Water conducts an annual review of the performance of the Board, its committees and directors. In 2025 this evaluation was externally facilitated by BoardClic. Whilst the Board of Kelda Eurobond Co Limited is not required to undertake such a review, it informally reviews actions arising from the evaluation as they relate to the operation of the Board and in light of the investor representation on the Yorkshire Water Board.

Board diversity

The Yorkshire Water Board continues to lead discussion on the approach and objectives for the group in relation to diversity and inclusion. Yorkshire Water continues to focus on the areas of gender and ethnicity, seeking to enhance the balance within its workforce to progress it towards becoming a more diverse and inclusive employer.

The Board continues to closely monitor its diversity, particularly in relation to gender and ethnicity. As at 31 March 2025, the Board of Kelda Eurobond Co Limited had a female Board representation of 27.3%.

Gender, ethnicity and age statistics for Yorkshire Water are provided in the Strategic Report in *Our People* section.

Internal control and risk management

The Board is responsible for the group's internal control systems and for reviewing their effectiveness. The Board confirms that procedures providing an ongoing process for identifying, evaluating and managing the principal risks and uncertainties faced by the group have been in place for the year to 31 March 2025 and up to the date of approval of the ARFS and are regularly reviewed by the Board. The group has a comprehensive and well-defined risk management policy, including control policies, with clear structures, delegated authority levels and accountabilities, described within the *Strategic Report*. The process is designed to manage rather than eliminate the risk of failure to achieve business objectives. The process can only provide reasonable, not absolute, assurance against material misstatement or loss. The Yorkshire Water Board monitors the overall level of risk, the quality of control frameworks and the delivery of action plans to bring risk in line with appetite. In relation to financial reporting, the systems of risk management and internal control include an accounting policy manual and an established system of accounting processes, including management monitoring and review.

In 2025 the group has reviewed the effectiveness of its risk management process, to ensure that it is comprehensive, integrated, proactive and based on constant monitoring of business risk. All risks are managed at the appropriate level through the risk register hierarchy and stated controls, owners and action plans where necessary. The key features of the process include the following:

- The key risks facing the group are identified through a clear risk assessment matrix and recorded in the corporate risk register.
- The Yorkshire Water Audit and Risk Committee reviews all movements in strategic risk as well as considering the adequacy of the controls in place to mitigate strategic risks to risk appetite.
- Risk registers are maintained by individual business units, with clear allocation of management responsibility for risk identification, recording, analysis and control.
- Risk assessment is completed with use of strategic risk impact and probability scales and results plotted to enable prioritised action.
- Key risk indicators are used to monitor changes in risk position.
- The Executive reviews the group's strategic risk position.
- The Board reviews and monitors the effectiveness of the risk management process, systems, controls and resources on behalf the group.
- Delivery of the risk based internal audit plan provides independent assurance to the Board and senior leaders.

The Board has considered the control environment and control activities which the Board can rely on for disclosures in this report. During the reporting year, the Board has also acted on behalf of the group to review the effectiveness of risk management, internal audit and external audit.

The Board confirms that it has reviewed the system of internal control. It has received the reports from the Executive and has conducted a formal review covering all controls including financial, operational, compliance and risk management. No significant failings of internal control were identified during these reviews, limited weaknesses were identified in relation to the lack of formal documentation and retention of some audit evidence, none of which are significant, and all have clear action plans to address them in an appropriate time frame.

Kelda Eurobond Co Limited
Directors' Report
for the year ended 31 March 2025

The directors present their report and the audited consolidated Financial Statements for the group for the year ended 31 March 2025. The *Directors' Report* should be read in conjunction with the *Strategic Report*. The *Corporate Governance Report* forms part of this *Directors' Report*.

Financial results for the year

The group's profit for the financial year was £6.9m (2024: £204.2m loss), driven by favourable movement on financial instruments. Further information can be found in the *Strategic Report.*

Dividends

No dividends were paid during the year (2024: £nil).

Principal activity

The principal activities of the group are to manage the collection, treatment and distribution of water in Yorkshire. At the same time the group also collects, treats and disposes of wastewater safely back into the environment. Yorkshire Water, the group's regulated utility business in the UK, is responsible for both water and wastewater services.

Other businesses include the UK non-regulated water and wastewater services business, Loop and Keyland, a company which primarily develops surplus property assets of Yorkshire Water.

Business review

A review of the development and performance of the group, including strategy, the financial performance during the year, key performance indicators, health and safety policy, forward-looking statements and a description of the principal risks and uncertainties facing the group are set out in the *Strategic Report*.

The purpose of this annual report is to provide information to the group's stakeholders and contains certain forward-looking statements with respect to the operations, performance and financial condition of the group. By their nature, these statements involve uncertainty since future events and circumstances can cause results to differ from those anticipated. Nothing in this report should be construed as a profit forecast.

Directors

The directors who served during the year and up to the date of signing these Financial Statements, including any changes, are shown below:

Vanda Murray
Kamal Abi-Salloum (appointed 19 May 2025)
Scott Auty
Simon Beer
Isabelle Caumette
Andrew Dench
Martin Gee (appointed 1 June 2025)
Russ Houlden (resigned 27 June 2025)
Paul Inman (resigned 31 May 2025)
Jessie Jin (resigned 21 August 2024)
Mark Lorkin (resigned 25 June 2025)
Bhavik Patel (appointed 21 August 2024, resigned 19 May 2025)
Hari Rajan (resigned 26 June 2025)
Nicola Shaw

Biographies of the directors as at 31 March 2025

Vanda Murray OBE DBA
Vanda was appointed to the Board as Independent Non-Executive Director in July 2021, stepping up to become the Chair of the Board in September 2021.

Vanda is a Fellow of the Chartered Institute of Marketing and has extensive experience of corporate leadership in both executive and non-executive roles. From 2001 to 2004 she was Chief Executive of Blick plc, a FTSE quoted company, where she doubled the value of the business. She was also Managing Director of Ultraframe plc between 2004 and 2006. She was more recently a Non-Executive Director at Manchester Airports Group and the Senior Independent Director at Bunzl plc. Vanda was appointed OBE for Services to Industry and to Export in 2002.

Vanda is Non-Executive Chair of Yorkshire-based Marshalls plc and a Non-Executive Director of Howden's plc.

Scott Auty
Scott is a London based Partner in DWS's infrastructure investment business, Europe, and is responsible for the origination and execution of infrastructure investment opportunities as well as the ongoing management of the acquired assets. He is a member of the Investment Committee for the three European infrastructure funds managed by DWS. Prior to joining DWS's infrastructure business in 2005, Scott started his career at N M Rothschild & Sons' investment banking division where he was a specialist in the utilities and natural resources sectors.

Scott is also a Supervisory Board Member of Dutch waste management company Attero Holdings BV and a Non-Executive Director of the Spanish bioethanol producer Vertex Bioenergy SL.

Scott joined the Board on 10 December 2010 and joined the Board of Yorkshire Water as an Investor Non-Executive Director in September 2017.

Simon Beer
Appointed to the Board as a Non-Executive Director on 20 December 2016, Simon is currently a Partner at StepStone Infrastructure and Real Assets where he leads the Asset Management function. Prior to joining StepStone, Simon worked at Ontario Teachers' Pension Plan in their Infrastructure and Natural Resources team where he focused on asset management and value creation across their global portfolio.

Simon has also been a Partner at KPMG, focused on operational improvement in the Infrastructure and Natural Resources sectors and before that worked for BP in their upstream major projects division. He started his career at Kellogg, Brown and Root a leading engineering and construction company. Simon is also a Director of Northern Gas Networks Limited.

Simon joined the Board of Yorkshire Water as an Investor Non-Executive Director in November 2024.

Isabelle Caumette
Isabelle was appointed to the Board as a Non-Executive Director on 27 January 2020. Isabelle is a London-based Senior Principal in the European Infrastructure Private Equity division of DWS, and is responsible for leading asset management for a number of funds and leading the transaction team on key infrastructure investment transactions. She is a voting member of the Investment Committee for the four European infrastructure funds managed by DWS. Prior to joining DWS's infrastructure business in 2011, Isabelle worked as a consultant at the Boston Consulting Group.

Isabelle is also a Non-Executive Director of Streem, a rail cars and tank containers leasing company.

Isabelle was appointed to the Board of Yorkshire Water as a Non-Executive Director in November 2023.

Andrew Dench
Appointed to the Board as a Non-Executive Director on 30 September 2015, Andrew is a Senior Vice President in GIC's Infrastructure team, based in London. He is responsible for the ongoing management of GIC's global infrastructure portfolio. Prior to joining GIC, Andrew was Deputy CEO / CFO of Veolia Water, UK, Ireland & Northern Europe, CFO of Electricity Northwest, and Head of Corporate Finance & Change at London Stock Exchange Group. Whilst at Veolia, he was a Non-Executive Director of Affinity Water (formerly Veolia Water). Andrew started his career in the investment banking division of Morgan Stanley where he was focused on project finance, mergers & acquisitions, utilities, and the natural resources sector.

Andrew is a Non-Executive Director on several other boards, including Heathrow Airport Holdings Limited, Railpool Gmbh, Raffles Infra Holdings Limited and AGEC Global Pte. Ltd.

Andrew was appointed to the Board of Yorkshire Water as an Investor Non-Executive Director in September 2017.

Russ Houlden
Russ was appointed to the Board as a Non-Executive Director on 19 January 2022. Russ resigned from the Board on 27 June 2025. As an Operating Partner at Corsair Infrastructure, a business unit of Corsair Capital. Russ brings a wealth of financial expertise and water industry experience to the Board, having been the CFO of United Utilities Group PLC for ten years until July 2020. During his time at United Utilities, he was also Chair of the Financial Reporting Committee of the 100 Group from 2013 to 2020. Prior to his role at United Utilities, he was the CFO of Telecom New Zealand from 2008 to 2010, and Finance Director of Lovells from 2002 to 2008. Until 2002 he held a variety of divisional Finance Director positions in ICI and BT. Until July 2022 Russ was a Non-Executive Director of Babcock International Group plc.

Russ is also an Independent Non-Executive Director and Chair of the Audit Committee at Orange Polska SA.

Paul Inman
Paul joined the Board as the CFO on 1 March 2023. Paul joined the business from BAE Systems where he was the Finance Director for the air sector, having previously held multiple roles with Rolls-Royce. Paul has extensive financial experience and also brings strong operational experience to the Board, having led a number of transformation programmes and undertaken general management roles in asset health monitoring and maintenance, repair and overhaul. Paul is a Member of the Institute of Chartered Accountants in England and Wales.

Paul was also the CFO for Yorkshire Water Services Limited until 31 May 2025.

Mark Lorkin
Mark was originally appointed to the Board as a Non-Executive Director from 2009 to 2013 and then from 2017 to 2019. He was then reappointed to the Board on 1 October 2021. Mark resigned from the Board on 25 June 2025. Mark is a Managing Director of Corsair and serves as a member of the Infrastructure Investment Committee. He joined Corsair in 2015 and is based in Sydney, Australia. He is a Board member of Corsair portfolio companies Itinere Infraestructuras and DP World Australia.

Prior to joining Corsair, Mark served as a Managing Director of Citi for 15 years, which included eight years in London. Whilst at Citi he held a number of roles across Mergers & Acquisitions, Debt Capital Markets, Acquisition Finance and Private Equity.

Bhavik Patel
Bhavik was appointed to the Board on 21 August 2024. Bhavik resigned from the Board on 19 May 2025. Bhavik is a Vice President in GIC's Infrastructure team, based in London. Prior to joining GIC in 2018, Bhavik worked as an Investment Banking Analyst with Scotiabank.

Hari Rajan
Hari was appointed to the Board as a Non-Executive Director on 25 June 2019. Hari resigned from the Board on 26 June 2025. Hari is a Partner of Corsair Capital and is the Head of Corsair Infrastructure Partners. He is also the Chair of the Investment Committee of Corsair Infrastructure Partners and a member of the Investment Committee of Corsair Capital. Hari joined Corsair Capital in 1999 and is based in New York.

Nicola Shaw CBE, CEO
Nicola joined the Board as the CEO on 9 May 2022, bringing with her extensive experience in regulated infrastructure businesses and having an excellent track record in driving efficient delivery whilst also improving customer service and colleague engagement. Most recently, Nicola was the UK Executive Director of National Grid and was previously the Chief Executive of High Speed 1 and a Director of First Group. Nicola was the author of the Shaw Report published in 2016 which made several recommendations for the future of British Transport. Nicola received a CBE for services to transport in the Queen's New Year Honours in 2016.

Nicola is also the CEO of Yorkshire Water Services Limited and a Non-Executive Director of International Airlines Group.

Shareholders

As at the 31 March 2025, the shareholders of the group were as follows:

- Wharfedale Hong Kong Limited (managed by DWS): 23.37% shareholding.
- Gateway Infrastructure HK Limited, Gateway HK Water Limited and Gateway HK Water II Limited, (managed by Corsair Infrastructure Partners L.P.): 30.32% shareholding.
- GIC: 33.56% shareholding.
- SAS Trustee Corporation: 12.75% shareholding.

After the year-end, on 4 June 2025, the management of the Gateway companies was moved to Gateway Infrastructure GP (UK) LLP, managed by DWS.

Research and development

The group undertakes a programme of research in pursuit of improvements in service and operating efficiency. In 2025 £1.0m (2024: £2.9m) was committed to research and development. In addition, £4.5m (2024: £4.4m) of costs have been accrued by the group in relation to the Innovation in Water Challenge scheme operated by Ofwat for AMP7. These expenses offset revenue recognised during the year. The amounts accrued will either be spent on innovation projects that the group successfully bids for or will be transferred to other successful water companies in accordance with the scheme rules.

Capital expenditure

Total expenditure on property, plant, and equipment during the year amounted to £888.7m (2024: £684.6m). More information relating to capital expenditure and fixed assets is disclosed in note 10 to the Financial Statements.

Political donations

The group does not support any political party and does not make what are commonly regarded as donations to any political party or other political organisations. However, the definition of "donations" in the Political Parties Elections and Referendums Act 2000 covers a number of activities which form part of the necessary relationship between the company and stakeholders, for example, attendance at party conferences or other events. As part of its stakeholder engagement programme the group incurred expenditure of £1,913 (2024: £656) on such activities.

Annual General Meeting

The shareholders of Kelda Eurobond (Co) Limited do not require an annual general meeting to be held, given their representation on the Board and therefore the company has dispensed with the requirement to hold an annual general meeting.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence over a period of at least 12 months from the date of approval of the Financial Statements. For this reason, they continue to consider it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements. Please see note 2 of the Financial Statements for full going concern considerations.

Post balance sheet event

In June 2025, Kelda Finance (No.2) Limited early repaid secured bank loans with nominal values of £50.0m and £45.0m that were due to mature in December 2025.

Independent auditor

The auditor, Deloitte LLP, has indicated their willingness to continue in office and the Board is considering a resolution for their reappointment later this month.

Disclosure of information to auditor

Each director in office at the date of this report confirms that:

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

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

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Financial Statements in accordance with United Kingdom adopted international accounting standards. Under company law the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these Financial Statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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

The Directors' Report was approved by a duly authorised committee of the Board of directors on 10 July 2025 and signed on its behalf by:

Nicola Shaw CBE
Chief Executive Officer

Registered office:
Western House
Halifax Road
Bradford
BD6 2SZ

Company Secretary: Kathy Smith
Western House
Halifax Road
Bradford
West Yorkshire
BD6 2SZ

Kelda Eurobond Co Limited
Consolidated statement of profit or loss
for the year ended 31 March 2025

	Note	**2025** £m	2024 £m
Revenue	*3*	**1,302.6**	1,233.1
Operating costs before charge for bad and doubtful debts		**(953.6)**	(928.4)
Charge for bad and doubtful debts		**(32.6)**	(23.5)
Operating costs	*5*	**(986.2)**	(951.9)
Operating profit from continuing operations		**316.4**	281.2
Finance income before fair value movements	*7*	**16.9**	13.4
Finance costs before fair value movements	*7*	**(583.4)**	(570.8)
Fair value movements	*7*	**311.6**	73.7
Net fair value movements and finance (costs)/income	*7*	**(254.9)**	(483.7)
Share of associates and joint ventures' profit		**0.3**	2.1
Profit/(loss) before taxation		**61.8**	(200.4)
Tax charge	*8*	**(54.9)**	(3.8)
Profit/(loss) for the year		**6.9**	(204.2)

The notes on pages 116 to 204 form an integral part of the Financial Statements.

Kelda Eurobond Co Limited
Consolidated statement comprehensive income and expense
for the year ended 31 March 2025

	Note	**2025** **£m**	2024 £m
Profit/(loss) for the year		**6.9**	(204.2)
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Revaluation of assets before taxation	*10*	**-**	19.2
Deferred tax movement on revaluation of assets	*8*	**-**	(4.8)
		-	14.4
Remeasurement of defined benefit pension before taxation	*18*	**12.6**	(15.0)
Remeasurement of employer funded retirement benefit scheme before taxation		**0.6**	0.4
Deferred tax in relation to retirement benefits	*8*	**(3.3)**	3.6
		9.9	(11.0)
Items that may be subsequently reclassified to profit or loss:			
Movement on cash flow hedges taken to equity before taxation	*20*	**0.7**	(3.9)
Deferred tax movement in relation to cash flow hedges	*8*	**(0.2)**	1.0
		0.5	(2.9)
Other comprehensive income for the year, net of tax		**10.4**	0.5
Total comprehensive income/(expense) for the year		**17.3**	(203.7)

Kelda Eurobond Co Limited
Consolidated statement of financial position
as at 31 March 2025

	Note	2025 £m	2024 £m
Non-current assets			
Intangible assets	9	**1,378.1**	1,340.0
Property, plant and equipment	10	**9,993.9**	9,416.9
Right of use assets	10	**41.2**	43.2
Investments in associated undertakings and joint ventures		**2.8**	8.1
Loans to associated undertakings and joint ventures		**0.6**	2.5
Derivative financial assets	20	**291.8**	254.5
Post-employment benefits surplus	18	**98.6**	86.0
		11,807.0	11,151.2
Current assets			
Inventories		**8.5**	8.3
Trade and other receivables	11	**400.5**	341.4
Derivative financial assets	20	**1.9**	9.1
Cash and cash equivalents	12	**560.2**	170.4
Assets held for sale	10	**8.3**	10.5
		979.4	539.7
Total assets		**12,786.4**	11,690.9
Current liabilities			
Trade and other payables	14	**(742.2)**	(639.8)
Derivative financial liabilities	20	**-**	(26.2)
Deferred grants and contributions on depreciated assets	15	**(15.5)**	(14.4)
Borrowings	12	**(94.6)**	(80.0)
Lease liabilities	13	**(6.3)**	(6.3)
Liabilities directly associated with assets held for sale		**(3.2)**	(3.2)
		(861.8)	(769.9)
Non-current liabilities			
Borrowings	12	**(6,959.9)**	(6,152.3)
Trade and other payables	14	**(2,477.5)**	(2,207.3)
Derivative financial liabilities	20	**(1,510.5)**	(1,742.6)
Deferred grants and contributions on depreciated assets	15	**(635.5)**	(595.4)
Provisions for other liabilities and charges	16	**(36.7)**	(23.9)
Lease liabilities	13	**(39.3)**	(42.3)
Deferred income tax liabilities	17	**(881.2)**	(790.5)
		(12,540.6)	(11,554.3)
Total liabilities		**(13,402.4)**	(12,324.2)
Net liabilities		**(616.0)**	(633.3)

Kelda Eurobond Co Limited

Consolidated statement of financial position *(continued)*

as at 31 March 2025

	Note	**2025** **£m**	2024 £m
Ordinary shares	*19*	**7.5**	7.5
Share premium	*19*	**1,077.9**	1,077.9
Hedging reserve	*19*	**5.1**	4.6
Revaluation reserve	*19*	**583.6**	583.6
Accumulated losses		**(2,290.1)**	(2,306.9)
Total equity		**(616.0)**	(633.3)

The Financial Statements on pages 109 to 204 were approved by a duly authorised committee of the Board of directors on 10 July 2025 and signed on its behalf by:

Nicola Shaw CBE
Chief Executive Officer
10 July 2025
Kelda Eurobond Co Limited

Kelda Eurobond Co Limited

Consolidated statement of changes in equity

for the year ended 31 March 2025

	Note	**Ordinary shares £m**	**Share premium £m**	**Hedging reserve £m**	**Revaluation reserve £m**	**Accumulated losses £m**	**Total equity £m**
Balance at 1 April 2023		7.5	742.5	7.5	569.2	(2,091.7)	(765.0)
Total comprehensive (expense)/income for the year							
Loss for the financial year		-	-	-	-	(204.2)	(204.2)
Revaluation of assets before taxation	*10*	-	-	-	19.2	-	19.2
Deferred tax on revaluation of assets	8	-	-	-	(4.8)	-	(4.8)
Remeasurement of defined benefit pension before taxation	*18*	-	-	-	-	(15.0)	(15.0)
Remeasurement of employer funded retirement benefit scheme before taxation		-	-	-	-	0.4	0.4
Deferred tax on revaluation of retirement benefits	*8*	-	-	-	-	3.6	3.6
Movement on cash flow hedges taken to equity before taxation	*20*	-	-	(3.9)	-	-	(3.9)
Deferred tax movement in relation to cash flow hedges	*8*	-	-	1.0	-	-	1.0
Total comprehensive (expense)/income for the year		-	-	(2.9)	14.4	(215.2)	(203.7)
Share issue	*19*	-	335.4	-	-	-	335.4
Balance at 31 March 2024		7.5	1,077.9	4.6	583.6	(2,306.9)	(633.3)

Kelda Eurobond Co Limited

Consolidated statement of changes in equity *(continued)*

for the year ended 31 March 2025

	Note	**Ordinary shares £m**	**Share premium £m**	**Hedging reserve £m**	**Revaluation reserve £m**	**Accumulated losses £m**	**Total equity £m**
Balance at 1 April 2024		7.5	1,077.9	4.6	583.6	(2,306.9)	(633.3)
Total comprehensive income/(expense) for the year							
Profit for the financial year		-	-	-	-	**6.9**	**6.9**
Remeasurement of defined benefit pension before taxation	*18*	-	-	-	-	**12.6**	**12.6**
Remeasurement of employer funded retirement benefit scheme before taxation		-	-	-	-	**0.6**	**0.6**
Deferred tax on revaluation of retirement benefits	*8*	-	-	-	-	**(3.3)**	**(3.3)**
Movement on cash flow hedges taken to equity before taxation	*20*	-	-	**0.7**	-	-	**0.7**
Deferred tax movement in relation to cash flow hedges	*8*	-	-	**(0.2)**	-	-	**(0.2)**
Total comprehensive income for the year		-	-	**0.5**	-	**16.8**	**17.3**
Balance at 31 March 2025		**7.5**	**1,077.9**	**5.1**	**583.6**	**(2,290.1)**	**(616.0)**

Kelda Eurobond Co Limited

Consolidated statement of cash flows

for the year ended 31 March 2025

	Note	**2025** **£m**	Restated[1] 2024 £m
Cash flow generated from operating activities	21	**660.4**	606.4
Income taxes paid		**(0.1)**	-
Net cash generated from operating activities		**660.3**	606.4[1]
Cash flows from investing activities			
Interest received		**13.3**	7.2
Proceeds on disposal of joint venture		**5.6**	-
Decrease in loans to associates and joint ventures		**1.7**	0.5
Proceeds on disposals of property, plant, and equipment		**2.0**	2.6
Purchases of property, plant, and equipment		**(695.1)**	(554.6)[1]
Purchases of intangibles		**(92.7)**	(103.0)[1]
Dividends received		**0.2**	1.3
Repayment of loans from parent company		**-**	154.6[1]
Net cash used in investing activities		**(765.0)**	(491.4)[1]
Cash flows from financing activities			
Borrowings raised	*21*	**1,163.4**	437.2[1]
Proceeds of share issuance		**-**	335.4[1]
Repayments of borrowings	*21*	**(429.0)**	(700.0)[1]
Net interest on derivatives	*20b*	**34.1**	25.4[1]
Swaps accretion and termination payments	*20b*	**(37.1)**	(165.0)[1]
Interest paid		**(238.3)**	(188.3)[1]
Accrued interest received on bond taps		**8.3**	2.1[1]
Repayment of lease liabilities		**(6.9)**	(2.0)
Net cash generated from/(used in) financing activities		**494.5**	(255.2)[1]
Net increase/(decrease) in cash and cash equivalents		**389.8**	(140.2)
Cash and cash equivalents at the beginning of the year	21	**170.4**	310.6
Cash and cash equivalents at the end of the year	21	**560.2**	170.4

[1] Restated, please see note 2 for further information.

1. Authorisation of Financial Statements

The group's Financial Statements for the year ended 31 March 2025 were authorised for issue by the Board of directors on 10 July 2025, and the consolidated statement of financial position was signed on the Board's behalf by Nicola Shaw, CEO. Kelda Eurobond Co Limited is a limited company incorporated and resident for tax in the UK. The registered office address of Kelda Eurobond Co Limited is Western House, Halifax Road, Bradford, BD6 2SZ.

2. Accounting policies

The principal accounting policies applied in the preparation of these consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented.

Basis of accounting

The consolidated Financial Statements of Kelda Eurobond Co Limited have been prepared on the going concern basis in accordance with International Financial Reporting Standards (IFRS), International Financial Reporting Interpretations Committee (IFRIC) interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS as they apply to the Financial Statements of the group for the year ended 31 March 2025.

The consolidated Financial Statements have been prepared under the historical cost convention except for certain categories of property, plant and equipment which are held at valuation, and all derivative financial instruments and those financial assets which have been measured at fair value.

The preparation of Financial Statements in conformity with IFRSs requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed later in note 2.

Prior year restatement

The Financial Reporting Council’s (FRC’s) Corporate Reporting Review Team, as part of its regular review and assessment of the quality of corporate reporting in the UK, carried out a review of the Kelda Eurobond Co Limited ARFS for the year ended 31 March 2024. The company responded to the enquiries raised by the FRC and as a result agreed to the following changes to the 2024 comparative period within the 2025 Financial Statements. The FRC has confirmed that their enquiries have been closed.

When reviewing the group’s 2024 ARFS, the FRC has made clear the scope and limitations of its review as follows:

The review was based on the group’s 2024 ARFS and did not benefit from detailed knowledge of the group’s business or an understanding of the underlying transactions entered into. It was, however, conducted by staff of the FRC who have an understanding of the relevant legal and accounting framework.

The FRC review provides no assurance that the group’s annual report and accounts are correct in all material respects; the FRC’s role is not to verify the information provided to it but to consider compliance with reporting requirements. Communications from the FRC are written on the basis that the FRC (which includes its officers, employees and agents) accepts no liability for reliance on them by the company or any third party, including but not limited to investors and shareholders.

2. Accounting policies *(continued)*

Prior year restatement *(continued)*

1. Cashflow presentation matters

1.1. Cash flows relating to issuance of share capital and repayment of loans

Cash flows totalling £490.0m were previously incorrectly included within *Borrowings raised* have been reclassified to present £335.4m as *Proceeds of share issuance* within *Cash flows from financing activities*, with the remaining £154.6m reclassified to *Repayment of loans* from parent company within *Cash flows from investing activities*. These cash flows relate specifically to the 2024 financial year.

1.2. Cash flows relating to purchases of assets

Cash flows totalling £657.6m relating to *Purchases of property, plant, and equipment and intangible assets* have been disaggregated to £554.6m relating to *Purchases of property plant and equipment* and £103.0m relating to *Purchase of Intangibles.*

1.3. Cash flows relating to inflation swap accretion payments

Cash flows totalling £165.0m relating to *Swaps accretion and termination payments* have been disaggregated from cash flows relating to *Repayment of borrowings* within *Cash flows from financing activities*.

1.4. Cash flows relating to interest paid/received from financial instruments

Cash flows totalling £160.8m relating to *Interest paid* have been restated from *Cash flows generated from operating activities* to *Cash flows generated from financing activities* due to a change in accounting policy to more consistently reflect the nature of the transactions alongside similar cash flows. As part of this restatement, cash flows of £25.4m relating to *Net interest on derivatives* and £2.1m relating to *Accrued interest received on bond taps* has been disaggregated from cash flows relating to other *Interest paid.* This line item reflects the net position of interest paid and received for derivatives.

1.5. Non-cash movements within Additional cash flow information

£169.9m of non-cash movements previously included in error as cash movements for *Debt due after one year* within *note 21 – Additional cash flow information* have been reclassified to the correct classification.

2. Accounting policies *(continued)*

Prior year restatement *(continued)*

2. Other matters

2.1. Impairment of trade receivables

The *Impairment of trade receivables* disclosed within *note 5 - Operating costs* has been corrected from a net reversal of impairment of £5.2m to a charge of £23.5m. This note now reflects the *Charge for bad and doubtful debts* as presented in *note 11 – Trade and other receivables.*

As this revised amount is material to the company it has also been disclosed on the face of the *Consolidated* statement of *profit or loss*.

2.2. Treatment of accumulated depreciation on revaluations to tangible assets

£664.8m restatement has been made relating to brought-forward depreciation on *Infrastructure assets* has been eliminated, with corresponding adjustments to the gross carrying value. This presents as offsetting adjustments to *Cost or valuation* and *Accumulated depreciation* within *note 10 – Property, plant and equipment.* Revaluations have previously been posted in full against *Cost or valuatio*n and depreciation charged annually against these amounts. The correction reflects elimination of accumulated depreciation each year at the date of revaluation against the gross carrying amount of the asset in line with IAS 16. There is no change to *Net Book Value or Revaluation reserve* as a result of this change and therefore no change to the *Balance Sheet.* Restatements have been made for revaluations made since adoption of the revaluation policy in 2011.

Following this the revalued *Land and buildings revalued* category of assets has been reviewed and similar adjustments made, restating a net movement of £11.4m as offsetting adjustments to *Cost or valuation* and *Accumulated depreciation* within *note 10 – Property, plant and equipment* in order to eliminate brought-forward accumulated depreciation each year at the date of revaluation.

Land and buildings revalued has been presented as a separate category to *Land and buildings* in *note 10 – Property, plant and equipment* in order to distinguish revalued assets in this category from those presented at historic cost less depreciation.

2. Accounting policies *(continued)*

Prior year restatement *(continued)*

	Reported 2024 £m	Restated Adjustments 2024 £m	Re-presentation Adjustments 2024 £m	Revised Disclosure 2024 £m	Notes
Cash flows generated from operating activities					
Interest paid	(160.8)	160.8	-	-	**1.4**
Net cash generated from operating activities	**445.6**	**160.8**	**-**	**606.4**	
Cash flows from investing activities					
Repayment of loans from parent company	-	154.6	-	154.6	**1.1**
Purchases of property, plant and equipment	(657.6)	-	103.0	(554.6)	**1.2**
Purchase of intangibles	-	-	(103.0)	(103.0)	**1.2**
Net cash used in investing activities	**(646.0)**	**154.6**	**-**	**(491.4)**	
Cash flows from financing activities					
Borrowings raised	927.2	(154.6)	(335.4)	437.2	**1.1**
Proceeds of share issuance	-	-	335.4	335.4	**1.1**
Repayments of borrowings	(865.0)	-	165.0	(700.0)	**1.3**
Net interest on derivatives	-	25.4	-	25.4	**1.4**
Swaps accretion and termination payments	-	-	(165.0)	(165.0)	**1.3**
Interest paid	-	(188.3)	-	(188.3)	**1.4**
Accrued interest received on bond taps	-	2.1	-	2.1	**1.4**
Net cash generated from / (used in) financing activities	**60.2**	**(315.4)**	**-**	**255.2**	
Note 21 - Additional cash flow information					
Debt due after one year - Non-cash movements	1,850.3	(169.9)	-	1,680.4	**1.5**
Debt due after one year - Cash movements	(220.3)	169.9	-	(50.4)	**1.5**
Net debt relating to continuing activities - Non-cash movements	**2,020.2**	**(169.9)**	**-**	**1,850.3**	
Net debt relating to continuing activities - Cash movements	**(47.5)**	**169.9**	**-**	**(122.4)**	
Note 5 - Operating costs					
(Net reversal of)/ impairment of trade receivables	(5.2)	28.7	-	23.5	**2.1**

2. Accounting policies *(continued)*

Prior year restatement *(continued)*

	Reported	Restated Adjustments	Re-presentation Adjustments	Revised Disclosure	Notes
	£m	£m	£m	£m	
Note 10 - Property, plant, and equipment					
Infrastructure assets					
Cost or valuation					
At 1 April 2023	5,964.9	(664.8)	-	5,300.1	**2.2**
At 31 March 2024	6,124.2	(664.8)	-	5,459.4	**2.2**
Accumulated depreciation					
At 1 April 2023	664.8	(664.8)	-	-	**2.2**
At 31 March 2024	766.4	(664.8)	-	101.6	**2.2**
Land and buildings					
Cost or valuation					
At 1 April 2023	2,119.7	-	(92.6)	2,027.1	**2.2**
Additions	14.7	-	-	14.7	**-**
Transfer on commissioning	43.1	-	-	43.1	**-**
Disposals	(25.4)	-	2.0	(23.4)	**2.2**
Revaluation	18.6	-	(18.6)	-	**2.2**
Transfer to assets held for sale	(15.3)	-	15.3	-	**2.2**
At 31 March 2024	2,155.4	-	(93.9)	2,061.5	**2.2**
Accumulated depreciation					
At 1 April 2023	504.6	-	(12.2)	492.4	**2.2**
Charge for the year	50.6	-	(1.3)	49.3	**2.2**
Impairment	9.2	-	(9.2)	-	**2.2**
Disposals	(23.7)	-	0.4	(23.3)	**2.2**
Revaluation	(0.6)	-	0.6	-	**2.2**
Transfer to assets held for sale	(10.3)	-	10.3	-	**2.2**
At 31 March 2024	529.8	-	(11.4)	518.4	**2.2**

2. Accounting policies *(continued)*

Prior year restatement *(continued)*

	Reported £m	Restated Adjustments £m	Re-presentation Adjustments £m	Revised Disclosure £m	Notes
Note 10 - Property, plant, and equipment *(continued)*					
Land and buildings revalued					
Cost or valuation					
At 1 April 2023	-	-	92.6	92.6	**2.2**
Disposals	-	-	(2.0)	(2.0)	**2.2**
Revaluation	-	(11.4)	18.6	7.2	**2.2**
Transfer to assets held for sale	-	-	(15.3)	(15.3)	**2.2**
At 31 March 2024	-	(11.4)	93.9	82.5	**2.2**
Accumulated depreciation					
At 1 April 2023	-	-	12.2	12.2	**2.2**
Charge for the year	-	-	1.3	1.3	**2.2**
Impairment	-	-	9.2	9.2	**2.2**
Disposals	-	-	(0.4)	(0.4)	**2.2**
Revaluation	-	(11.4)	(0.6)	(12.0)	**2.2**
Transfer to assets held for sale	-	-	(10.3)	(10.3)	**2.2**
At 31 March 2024	-	(11.4)	11.4	-	**2.2**
Group total					
Cost or valuation					
At 1 April 2023	11,550.4	(664.8)	-	10,885.6	**2.2**
Revaluation	18.6	(11.4)	-	7.2	**2.2**
At 31 March 2024	12,021.4	(676.2)	-	11,345.2	**2.2**
Accumulated depreciation					
At 1 April 2023	2,497.3	(664.8)	-	1,832.5	**2.2**
Revaluation	(0.6)	(11.4)	-	(12.0)	**2.2**
At 31 March 2024	2,604.5	(676.2)	-	1,928.3	**2.2**

2. Accounting policies *(continued)*

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are described in the Strategic Report.

As at 31 March 2025, the group's available combination of cash and committed undrawn facilities totalled £1,638.7m (2024: £1,132.4m), comprising £1,078.5m (2024: £962.0m) undrawn committed facilities and £560.2m (2024: £170.4m) of cash and cash equivalents (note 20).

The directors have considered the budget and the cash position of the group, specifically the sufficiency of the funds available to fund the operating and capital investment activities of the group for at least the 12 months from the date of signing the Financial Statements. In addition, we have considered any known material refinancing events up to the end of March 2027 which could have an impact on going concern. We have also considered that Yorkshire Water Services Limited (Yorkshire Water), the largest subsidiary of the group, has an indefinite licence to operate as a water and sewerage operator terminable with a 25-year notice period.

Kelda Eurobond Co Limited (company) is in a net liability position of £36.4m (2024: £193.4m net assets) as at 31 March 2025, which is predominately driven by the increase in amounts owed to parent company of £268.1m to £2,467.4m (2024: £2,199.3m). This increase is due to the interest that has accrued on the intercompany loan.

In assessing going concern, the directors have considered the group's business activities, including the group's financial and operational performance which has demonstrated resilience against additional operational pressures as a result of severe weather, including five named storms in the period from September 2024 to January 2025, and the driest Spring in Yorkshire for 132 years.

The going concern review has primarily been centred around financial modelling which depicts the best estimate forecast profit and loss, balance sheet and cash flow, as well as reviewing the impact on available liquidity and key interest cover ratios for 2026 and 2027.

The base case Board-approved budget cash flows show available headroom in the key metrics reviewed. A sensitivity scenario linked closely to our principal risks was then overlayed to the base case to consider a number of possible adverse scenarios. Mitigating actions such as insurance claims, engagement with regulators to reduce fines, and non-essential cost reduction were also considered to ensure headroom remained on facilities available, key interest cover ratios and to ensure the group can manage its business risks appropriately throughout the going concern period.

In addition, the directors have considered the group's business activities, including the group's financial and operational performance, accuracy of historical forecasting and strength of the year end net asset position.

The group's securitised financing arrangements include covenants with only a default threshold. Yorkshire Water's securitised financing arrangements include covenants with 'trigger' and 'default' thresholds. Covenants are reported bi-annually. Covenant calculations are undertaken at each reporting period based on the Financial Statements adjusted, where appropriate, for costs deemed to be atypical or exceptional in nature which has previously included items such as significant weather related events or business re-organisations.

As a result of this analysis, the directors believe that the group is well placed to manage its business risks successfully and have a reasonable expectation that the group has adequate resources to continue in operational existence over a period of at least 12 months from the date of approval of the Financial Statements. For this reason, they continue to consider it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements.

To support this conclusion, we have taken into consideration a number of key judgements up to the end of March 2027, as outlined below:

2. Accounting policies *(continued)*

Going concern *(continued)*

Kelda Finance No2 Limited (KF2) debt maturities

At 31 March 2025, there were bank loans totalling £95m in Kelda Finance No. 2 Limited due to mature in December 2025 which were repaid in full on 6 June 2025. The next debt maturities of KF2 are a bank loan of £25m maturing in September 2026, and a £30m revolving credit facility maturing in March 2027.

KF2's ability to service its debt service costs and bank loan repayments is reliant upon the dividend flow from Yorkshire Water, its main trading subsidiary. It does, however, have an option to capitalise interest on certain loans, which could reduce the cash interest obligations. In assessing going concern, we have considered the likelihood of these dividends being constrained to a level that would impact KF2s ability to service its obligations. This could be as a result of a dividend lock up at Yorkshire Water, either due to regulatory action or through breach of Yorkshire Water Common Terms Agreement, an agreement governing the Whole Business Securitisation containing various covenants and covenanted regimes which restrict Yorkshire Water activities.

At 31 March 2025 Yorkshire Water had liquidity in excess of 18 months, stable investment grade credit ratings and a Final Determination for the AMP8 period (2026-2030) which supports its investment plans. Additionally, a relatively low level of dividends is required to meet KF2's funding obligations. The level of dividend required to meet KF2's requirements is approximately half the 3% dividend yield paid during AMP7 (2021-2025). Yorkshire Water has maintained its dividend policy in line within the rules set by Ofwat in March 2023, requiring financial resilience to be considered by the Board prior to any payments. As such we regard the likelihood of a dividend lock up arising in the going concern period as low. Further information on our dividends for 2025 has been included under the *Governance Report* and in the *Other disclosures* section of the Yorkshire Water Annual Report and Financial Statements.

Yorkshire Water Financing Group debt maturities

External debt raised by subsidiary financing companies within the Yorkshire Water Financing Group (YWFG) funds YWS activities under 'back to back' loan arrangements on materially similar terms. Accordingly, we have considered all debt maturities within the YWFG up to March 2027. There are no significant debt maturities due during the next 12 months, with the next bond maturity being £300m in November 2026. Repayment of this amount is to be funded from new debt that is planned to be raised in Summer 2025. The timing of the planned debt issuance is to comply with our Treasury policy which requires us to target sufficient liquidity to cover non-discretionary cash flow requirements for a rolling period of 15 months or more to provide contingency in the event that capital market access is temporarily restricted. The directors are confident that the required debt can be raised to fund this repayment, based on the YWFG investment grade credit rating and its ability to access the market successfully, with £800m raised in the past financial year, during a period of significant uncertainty over the Water sector.

Kelda Eurobond Co Limited (Eurobond) repayment of intercompany loan

In line with the undertaking to Ofwat to repay the intercompany loan from Yorkshire Water, Kelda Eurobond Co Limited is due to make a final payment of £437m, plus any unpaid accrued interest at the time of repayment (forecast at up to £178m), by 31 March 2027. Whilst this is beyond the going concern horizon, we have considered this as part of our review. Kelda Eurobond Co Limited has already repaid £500m of the intercompany loan that was subject to the undertaking and has done so earlier than required. Repayment of the final tranche of the loan is included in the business plan for AMP8 and Ofwat's final determination, and has been agreed by the Board and the shareholders. The directors are confident that the final tranche will be repaid on or before 31 March 2027.

2. Accounting policies *(continued)*

Going concern *(continued)*

On the basis of all of the above, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence over a period of at least 12 months from the date of approval of the Financial Statements. For this reason, they continue to consider it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements.

Basis of consolidation

The consolidated Financial Statements consolidate the Financial Statements of Kelda Eurobond Co Limited and its subsidiaries (note 24). The results of undertakings acquired or sold are consolidated for the periods from the date of acquisition or up to the date of disposal. Acquisitions of subsidiaries are accounted for under the purchase method of accounting. Associates and joint ventures are accounted for under the equity method of accounting. Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated Financial Statements.

Foreign currencies

On an individual company basis, individual transactions denominated in foreign currencies are translated into functional currency at the actual exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the rates ruling at the balance sheet date. Profits and losses on both individual foreign currency transactions during the year and monetary assets and liabilities are dealt with in the consolidated statement of profit or loss.

Revenue

Water charges
This revenue stream comprises charges to customers for water, wastewater and other services excluding value added tax, and arises only in the United Kingdom.

Revenue is recognised when the performance obligations have been discharged to the customer with respect to the services detailed above, and the amounts receivable in respect of these services are deemed probable of collection. Revenue relates to charges due in the year, excluding any amounts paid in advance. Revenue for measured water charges includes amounts billed plus an estimation of the amounts unbilled at the year end. The accrual is estimated using a defined methodology based upon daily average water consumption, which is calculated based upon historical billing information.

No revenue is recognised for unoccupied properties and no bills are raised. If a bill has been issued, and the group subsequently become aware that the property is unoccupied, the bill and relevant revenue is cancelled. Generally, a property is classed as void if it is unoccupied and unfurnished.

Connection and Infrastructure charges

This revenue stream comprises charges to property developers for the connection of new properties to the water and sewerage network, and charges to property developers to compensate for the additional strain on the infrastructure system. The associated revenue is recognised over the expected useful life of the network.

Diversions

This revenue stream comprises income for structural alternations to the network. Revenue from diversions is recognised in the consolidated statement of profit or loss, with an element of deferred income on the consolidated statement of financial position. Revenue is recognised over the time it takes to complete the diversion.

2. Accounting policies *(continued)*

Net operating costs

Net operating costs include the following:

Rental income

Rental income arising on investment properties is accounted for on a straight-line basis over the lease term on on-going leases.

Other operating income

Profit relating to the sale of commercial and residential properties to third parties is included within other operating income, which is part of operating costs.

Finance income

Interest receivable is recognised as the interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument to its net carrying amount.

Dividends payable

Interim and final dividends payable are recognised once declared.

Research and development expenditure

Research expenditure is written off in the consolidated statement of profit or loss in the year in which it is incurred.

Development expenditure is charged to the consolidated statement of profit or loss, except where the expenditure meets the criteria for recognition as an internally generated intangible asset as outlined in IAS 38 "Intangible assets". Where the recognition criteria are met, intangible assets are capitalised and amortised over their useful economic lives from the date of commissioning.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income or expense, in which case it is recognised directly in equity or other comprehensive income or expense.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

2. Accounting policies *(continued)*

Taxation *(continued)*

Deferred tax (continued)

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Intangible assets, goodwill and impairment of goodwill

Goodwill

Assets are reviewed annually for impairment at each reporting date whether or not there is any indication of impairment. Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell, and value in use.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. Impairment losses are recognised in the consolidated statement of profit or loss. Goodwill is reviewed by the group on an annual basis whether or not there is any indication of impairment.

Software as a service (SaaS)

Costs incurred to configure or customise SaaS application software are expensed when the costs are incurred. Costs which relate to the development of software code that enhances or modifies on-premise software, or costs incurred for software which meet the recognition criteria for an intangible asset, are capitalised as incurred. Any costs expensed are recognised in line with the service provided. Any intangible assets identified are initially carried at cost and follow the existing accounting policy for intangible assets.

Other intangible assets

Other intangible assets that are acquired by the group are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Software is amortised on a straight-line basis over its useful life. The useful life of software is estimated to be five years.

2. Accounting policies *(continued)*

Property, plant, and equipment

Residential properties, non-specialised properties and rural estates held within land and buildings are held at valuation. Infrastructure assets are held at valuation (note 10). Other property, plant, and equipment (PPE) are included at cost less accumulated depreciation and any provision for impairment.

Freehold land is not depreciated. Depreciation is charged on property, plant, and equipment on a straight-line basis over their estimated useful economic lives, or the estimated useful economic lives of their individual major components, from the date of commissioning.

Useful economic lives are principally as follows:

Buildings	25 - 100 years
Plant and equipment	
Fixed plant	5 - 40 years
Vehicles, mobile plant, and computers	3 - 10 years
Infrastructure assets	
Water mains and sewers	40 - 125 years
Earth banked dams and reservoirs	200 years

Assets under the course of construction are not depreciated until commissioned.

In the UK regulated water services business, infrastructure assets comprise a network of systems being mains and sewers, impounding and pumped raw water storage, reservoirs, dams, and sea outfalls.

Infrastructure assets, residential properties, non-specialised properties, and rural estates are held at fair value. Gains on revaluation are recognised in other comprehensive income and accumulated in the revaluation reserve. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease previously recognised in the consolidated statement of profit or loss. Losses arising on revaluation are recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset. Any excess is recognised in the consolidated statement of profit or loss.

The latest infrastructure valuation was performed at 31 March 2025. An interim valuation for property valuations is recorded in the intervening years on a periodic basis. Residual values and depreciation rates are reviewed on revaluation. On sale of a revalued asset, the revaluation reserve is recycled to the consolidated statement of profit or loss.

In respect of borrowing costs relating to qualifying assets, the group capitalises borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset as part of the cost of that asset.

Impairment of property, plant and equipment

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. Useful lives and residual values are reviewed annually. Where adjustments are required, these are made prospectively.

Assets held for sale

Non-current assets are classified as assets held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use and the asset is available for immediate sale in its present condition. Such assets are measured at the lower of their carrying amount and fair value less costs to sell. Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

2. Accounting policies *(continued)*

Government grants and contributions

Government grants and contributions in respect of property, plant and equipment are deferred and credited to the consolidated statement of profit or loss by instalments over the expected economic lives of the related assets. Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Government grants and contributions received in respect of an item of expense during the year are recognised in the consolidated statement of profit or loss on a systematic basis in line with the cost that it is intended to compensate.

Investments in joint ventures and associates

The group has several contractual arrangements with third parties which represent joint ventures, these take the form of agreements to share control over other companies. The group recognises its interest in the entity's assets and liabilities using the equity method of accounting.

The group's interest in its associates, being those entities over which it has significant influence, and which are neither subsidiaries nor joint ventures, are accounted for using the equity method of accounting.

Under the equity method, the investment in the joint venture or associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the group's share of its net assets, less distributions received and less any impairment in value of individual investments. The group consolidated statement of profit or loss reflects the share of the joint ventures' and associates' results after tax.

Financial Statements of joint ventures and associates are prepared for the same reporting period as the group. Where necessary, adjustments are made to bring the accounting policies used into line with those of the group. The group ceases to use the equity method on the date from which it no longer has shared control over or significant influence in the joint venture or associate. Any unrealised gains or losses between the group and its joint ventures and associates are eliminated on consolidation.

Inventories

Inventories are stated at the lower of cost and net realisable value less any provision necessary to recognise damage and obsolescence.

Provisions

Provision is made for self-insured claims incurred but not reported, contracts which are considered onerous, accumulated losses related to associated undertakings and other known liabilities which exist at the year end as a result of a past event.

Provisions are recognised where:

- There is a present obligation as a result of a past event;
- It is probable that there will be an economic outflow to settle; and
- A reliable estimate of this outflow can be made.

Provisions are discounted to present value where the effect is material.

2. Accounting policies *(continued)*

Financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and other short-term highly liquid investments.

Trade and other receivables

Trade receivables are initially recognised at transaction price, and subsequently remeasured at amortised cost, net of any allowance for impairment. Invoices for unmeasured water charges are due on predetermined dates, irrespective of date of receipt. Invoices for measured water charges are billed quarterly in arrears and generally have seven day payment terms. Bad debt provisions are calculated on trade receivables based on judgement of collection rates and an expected credit loss model.

Trade and other payables

Trade payables are initially recognised at fair value, and subsequently remeasured at amortised cost.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at either:

- Amortised cost using the effective interest method. Gains and losses arising on repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance costs; or
- Fair value at the measurement date. The movement in the fair value of the loan or borrowing is recognised in the consolidated statement of profit or loss. The fair values of the borrowings are determined by reference to quoted prices in active markets for identical assets or liabilities that the group can access at the measurement date.

Any gain or loss on a non-substantial modification of debt is recognised through the consolidated statement of profit or loss, amortised over the life of the financial liability through the effective interest rate.

Leases

IFRS 16 determines a control model to distinguish between lease agreements and service contracts on the basis of whether the use of an identified asset is controlled by the group for a period of time. If the group is deemed to have control of an identified asset, then a lease is recognised on the consolidated statement of financial position. A right of use asset and a corresponding lease liability are recognised.

The right of use asset is initially measured at cost and is subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

The lease liability is initially measured at the present value of the future lease payments discounted using the discount rate that is implicit in the lease. If this discount rate cannot be determined from the agreement, the liability is discounted using an incremental borrowing rate. The borrowing rate is derived from a series of inputs including benchmark Government bond rates and adjustments for credit risk based on publicly traded bonds.

For short-term leases (lease term of twelve months or less) and leases of low-value assets (such as personal computers and office furniture), the group will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

2. Accounting policies *(continued)*

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The group designates certain derivatives as either (1) hedges of the fair value of recognised assets or liabilities or (2) cash flow hedges.

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values of hedged items.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated statement of profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedge

The portion of the gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. Any ineffective portion is immediately recognised in the consolidated statement of profit or loss. The gains or losses that are recognised in equity are transferred to the consolidated statement of profit or loss in the same period in which the hedged cash flows affect the consolidated statement of profit or loss. In the event the hedged item is no longer expected to occur, or the hedge relationship ceases to be effective, accumulated gains or losses held in the cash flow hedge reserve are immediately recognised in the consolidated statement of profit or loss.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any such derivative are recognised as incurred in the consolidated statement of profit or loss.

Restructuring events

The restructure of a derivative measured at fair value may result in a change to the observed fair value on the restructure date. The accounting treatment is subject to judgement at the date of each restructuring transaction on an item by item basis. Further information on the treatment of previous restructures can be seen in the *Critical accounting judgements and key sources of estimation uncertainty section of* this note.

Employee benefits

Pension plans

(i) Defined contribution scheme

The group have operated a defined contribution (DC) Pension Plan for those colleagues who were not members of its defined benefit scheme and for all new colleagues who are eligible since 2007. From 1 October 2007 to 31 August 2022 the DC arrangement was the Kelda Stakeholder + Pension Plan administered by Aegon, this was replaced as the active DC plan from 1 September 2022 by the Yorkshire Water Pension Savings Plan (YWPSP), a Group Flexible Retirement Plan arrangement with Standard Life. Employer and employee contributions made into the DC arrangement are made in accordance with an agreed contribution structure. The contribution structure was amended from 1 April 2024 following a consultation which resulted in the Kelda Group Defined Benefit Plan being closed to future accrual from 31 March 2024. The contribution structure change was part of a two-stage change.

2. Accounting policies *(continued)*

Employee benefits *(continued)*

Pension plans *(continued)*

(i) Defined contribution scheme (continued)

The overall structure was amended from 1 April 2024 (stage 1) and provided an increase in employer contributions for the majority of colleagues, this change also provided an additional tier of contributions applicable only for Employed Deferred members of the DB Scheme (KGPP). From 1 April 2025, stage 2 of the change has taken effect and the additional contribution tier has become available to all colleagues. In addition, there are a small number of colleagues who are eligible for different contribution rates due to legacy agreements. The YWPSP is used by the Kelda Group Limited for auto-enrolment purposes. Obligations for contributions to the scheme are recognised as an expense in the consolidated statement of profit or loss in the year in which they arise.

(ii) Defined benefit scheme

The group operates a defined benefit (DB) scheme. A DB scheme is a pension plan under which the amount of pension benefit that an employee receives on retirement is defined by reference to factors including age, years of service and compensation. Following a 60 day consultation with its active member colleagues, which ran from 17 October 2023, the plan closed to future accrual at the end of 31 March 2024. Colleagues who were active members of the DB scheme (CARE and MIS Sections) on 31 March 2024 were auto-enrolled into the YWPSP DC plan from 1 April 2024. The DB scheme is funded by payments, determined by periodic actuarial calculations agreed between the group and the trustees to trustee administered funds.

A liability or asset is recognised in the consolidated statement of financial position in respect of the group's net obligations to the scheme. The liability or asset represents the net of the present value of the DB obligations at the balance sheet date, less the fair value of the scheme assets and past service costs.

The DB obligation represents the estimated amount of future benefits that employees have earned in return for their services in current and prior years, discounted at a rate representing the yield on a high quality corporate bond at the balance sheet date, denominated in the same currency as the obligations and having the same terms to maturity as the related pension liability, applied to the estimated future cash outflows arising from these obligations. The calculation is performed by a qualified actuary using the projected unit credit method. Actuarial gains or losses (along with any deferred tax on them) are recognised in the statement of comprehensive income.

Share capital

Ordinary shares are classified as equity.

Segmental reporting

The group's primary reporting format is by business segment. A segment is a component of the group which can be distinguished separately as providing a product or service within a particular environment which is subject to risks and rewards that are different from those of other segments. These segments are also indicative of the manner in which the business is reviewed internally.

The group has identified three business segments:

- UK Regulated Water Services - Yorkshire Water.
- UK Service Operations - Kelda Transport Management, Three Sixty Water group and Loop.
- Property Development - Keyland.

Transfer pricing between business segments is set on an arm's length basis similar to transactions with third parties.

The group's geographical segments are determined by the location of the group's assets and operations.

2. Accounting policies *(continued)*

Fair value estimation

The fair value of any financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of derivatives is calculated as the present value of the estimated future cash flows. The fair value calculations have been adjusted to incorporate own and counter-party credit risk and funding risk.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate to their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments. Management base their estimate of discount rate on a consideration of the long-term risk free interest rate for the UK, an industry specific risk factor (beta factor), a market risk premium at the date of valuation and a group specific risk factor.

New standards and interpretations

New standards issued but not yet effective

The group note that the following new and amended standards that are effective for the current year:

IAS 1 (amended)	*Classification of Liabilities as Current or Non-current*
IAS 1 (amended)	*Non-current Liabilities with Covenants*
IAS 7 (amended)	*Statement of Cash Flows and IFRS 7 Financial Instruments*: *Disclosures titled Supplier Finance Arrangements*
IFRS 16 (amended)	*Lease Liability in a Sale and Leaseback*

The adoption of these amendments in the current year has not had a material impact on the Financial Statements.

The group note that the following are new and revised standards in issue but not yet effective:

IAS 21 (amended)	*Lack of Exchangeability*
IFRS 18	*Presentation and Disclosures in Financial Statements*
IFRS 19	*Subsidiaries without Public Accountability: Disclosures*

The group will continue to monitor the developments, and associated impact, of these new or amended standards as and when they are endorsed for use in the United Kingdom.

2. Accounting policies *(continued)*

Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The directors consider the key sources of estimation uncertainty in the Financial Statements to be:

a) Assumptions relating to the defined benefit pension scheme

The present value of the pension obligation depends on a number of factors, determined on an actuarial basis, using a number of assumptions which include: the discount rate, inflation rates, rate of increase in salaries, and life expectancy. The discount rate is determined by considering the market yields on high quality corporate bonds, at the reporting date. Other key assumptions for pension obligations are based in part on current market conditions. The main assumptions, relevant sensitivities and additional information are disclosed in note 18.

b) Infrastructure assets valuation

Infrastructure assets are held under a revaluation model. Fair value is determined with the support of a third party using a market value approach, which uses discounted cash flow modelling to calculate a valuation range for the Enterprise Value (EV) of Yorkshire Water. Management conclude on the appropriate EV to be used from within this range using their judgement. The adjusted EV is then allocated against certain assets and liabilities to estimate the fair value of infrastructure assets. This represents a level 3 fair value measurement since it is derived from valuation techniques that include inputs not based on observable market data.

Estimates are made in respect of the key assumptions applied in the valuation model. The key assumptions requiring estimation are the discount rate and the underlying forecast cash flows, based on the AMP8 Final Determination and the latest Board-approved business plan. The discount rate applied is 10.00% (2024: 9.50%).

The key judgements inherent within the valuation methodology are the selection of the appropriate point within the range of EVs calculated by the third party valuation expert, and the attribution of the EV to relevant assets and liabilities. The selection within the range is undertaken with due consideration of the regulatory capital value of the infrastructure assets. See note 10 for the revaluation in the year and total net book value of tangible assets held as at the year end.

The key sensitivities to assumptions that would cause a material[1] movement in the model's valuation output are: a £2.1m pa movement in the underlying cash flows[2], and 0.04% movement in the discount rate.

c) Goodwill impairment testing

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated above.

[1] Material is defined as more than 2.9% of EBITDA in the year.

[2] Across all years of the model.

2. Accounting policies *(continued)*

Critical accounting judgements and key sources of estimation uncertainty *(continued)*

c) Goodwill impairment testing (continued)

These calculations have been based on the group's Enterprise Value (EV), including outperformance. The EV has been calculated based on estimates of future cash flows for the cash generating unit, and an estimate of the discount rate, which is based on consideration of the long-term risk-free interest rate for the UK, an industry specific risk factor, and a market risk premium at the date of valuation. In reviewing goodwill for impairment, the group applied a discount rate of 10.00% (2024: 9.50%) long-term inflation rates of 2.0% RPI / 2.0% CPIH (2024: 2.0% RPI / 2.0% CPIH) to the expected future cash flows of the group. This represents a level 3 fair value measurement since it is derived from valuation techniques that include inputs not based on observable market data. The discounted cash flow includes a terminal value representing the sale of infrastructure assets and amounts to an RCV multiple of 1.10x (2024: 1.10x). On this basis, there is sufficient headroom, and no impairment is required.

d) Fair value of financial instruments

The group's accounting policy for financial instruments is detailed earlier in this note. In accordance with IFRS, financial instruments are recognised in the Financial Statements at fair value. The fair value of financial instruments that are not traded on an active market is determined using a discounted cash flow valuation technique. After taking advice from external parties, management uses its judgement to determine the derivative valuations. These are subject to adjustments to ensure they are compliant with IFRS 13 Fair Value Measurement. A credit valuation adjustment (CVA), debit valuation adjustment (DVA) and funding valuation adjustment (FVA) is calculated using expected exposures, probability of default and loss given default. Details of the nature of the assumptions inherent within the financial instrument fair valuations can be found in note 20. Particular estimation uncertainty exists in relation to counter-party funding adjustments and own and counter-party credit risk assumptions since these are unobservable inputs to which the valuation model is materially sensitive.

The fair value of net derivative financial liabilities of £1,216.8m (2024: £1,505.2m) would be £16.0m (2024: £19.6m) higher or lower were the counterparty funding assumption to change by ten basis points. The fair value of net derivative financial liabilities of £1,216.8m (2024: £1,505.2m) would be £10.6m (2024: £12.8m) higher or lower were the credit curve assumption to change by ten basis points. The fair value of net derivative financial liabilities of £1,216.8m (2024: £1,505.2m) would be £38.3m (2024: £41.5m) higher or lower were the recovery rate assumption to change by ten per cent.

Disclosing an appropriate sensitivity of fair values could vary based on what is reasonably possible in the market but a change of ten basis points demonstrates the level of movement in the assumption which results in a material difference, this can be scaled up and is consistent with sensitivities reported previously.

The restructure of a derivative measured at fair value may result in a change to the observed fair value on the restructure date. The change can be due to factors not fully observable in the market, including counterparty credit, capital, funding and trading charges. In cases where the group has restructured derivatives, and changes in fair values on restructure dates were due to factors that not fully observable in the market, the whole of the immediately observed changes have been capitalised on the consolidated statement of financial position and recognised in the consolidated statement of profit or loss account on a straight-line basis over the maturity period of the relevant restructured derivatives. Where restructured derivatives are subject to further restructures at later dates, capitalised amounts on the balance sheet are recalibrated to equal the immediate change in fair value on the later restructure date due to factors not fully observable in the market, and recognised in the profit and loss account on a straight-line basis over the maturity period of the relevant derivatives.

2. Accounting policies *(continued)*

Critical accounting judgements and key sources of estimation uncertainty *(continued)*

e) Household bad debt provision (expected credit losses)

Following a review of the method of estimating expected credit losses, the method of estimation has been updated to more effectively consider three primary elements; historical performance, management action to address debt and macroeconomic factors. The historical performance forms the basis of the expected losses provision, using our bespoke household billing system which produces a monthly report that tracks payments by customer and age over a two-year period. Intuitively, changes in inflation are strongly correlated with the movements in overdue customer debt and as such has been considered as the primary macroeconomic factor. The management action element considers the forward-looking impact of debt recovery initiatives such as bill support, and whether changes in management action in the near term (within the last two years) are likely to result in a change in debt recovery levels.

When the application of the updated method of estimation is retrospectively applied to the 2024 accounts, this would have had an immaterial impact of £4.8m increase to the provision at 31 March 2024. The revised method has been progressively applied from 2025 and is used as the basis of the expected credit losses provision at 31 March 2025. The impact of the change in estimation on the provision at 31 March 2025 is £2.8m.

At 31 March 2025, the total amount provided for relating to household customer debt was £38.5m (2024: £33.3m) and non-household debt was £0.4m (2024: £0.5m), totalling an overall bad debt provision of £38.9m (2024: £33.8m). The increase in provision reflects the current economic environment and effects of welfare reform, alongside the increase in average bills in the year. This will be closely monitored as we move into AMP8 with higher bills and is considered in our strategy for increased customer support.

The household bad debt provision is based on historic collections and consideration of the impact of management action, adjusted for the high correlation between inflation and debt and assesses the three time periods pre, during and post Covid-19 and the cost-of-living crisis, giving a range of macroeconomic factors which are then applied to overdue debt. If the worst-case factor (during Covid) was applied, then the provision would increase by £0.4m. If the best-case factor (pre-Covid) was applied, the provision would decrease by £3.4m. If the recovery percentage applied worsened by 1%, then the provision would increase by £2.3m.

The following are the critical judgements, apart from those involving estimations (which are dealt with separately above), that the directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

a) Capitalisation of labour costs

Additions made to property, plant and equipment include £89.1m (2024: £78.4m) of own work capitalised. The increase in capitalised labour costs reflect the increased capital activity in the year as we head into AMP8. Judgement is made to ensure these costs relate to relevant assets and that future economic benefits will flow to the group.

b) Depreciation

The group's accounting policy for property, plant and equipment is detailed earlier in this note. Estimated useful economic lives of PPE are based on management's judgement and experience. When management identifies that actual useful lives differ materially from the estimates used to calculate depreciation, that charge is adjusted prospectively. Due to the significance of capital investment to the group, variations between actual and estimated useful lives could impact operating results both positively and negatively. Historically, only minor changes to estimated useful lives have been required.

2. Accounting policies *(continued)*

Critical accounting judgements and key sources of estimation uncertainty *(continued)*

c) Recognition of a defined benefit surplus

A judgement has been made to recognise an accounting surplus on the defined benefit pension scheme. The provisions of IFRIC 14 do not apply and therefore a surplus has been recognised. The Trust Deed provides the sponsoring employer with an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of a plan wind-up. Furthermore, in the ordinary course of business the Trustee has no rights to unilaterally wind up, or otherwise augment the benefits due to members of, the scheme. Based on these rights, any net surplus in the UK scheme is recognised in full.

d) Climate change

The group continues to develop its assessment of the impacts that climate change may have on the amounts recognised in the Financial Statements. The natural environment in which we operate is continually changing, influencing our investment strategy and how our water and wastewater services are to be delivered in the future.
We have considered the impact of climate-related risks in the preparation of these Financial Statements, including adaptation actions to improve the group's resilience to the effects of climate change, minimisation and mitigation of the group's contribution to climate change, and the transition to net zero.

Impacts of these risks on the Financial Statements are predominantly in respect of the valuation of the property, plant and equipment held by the group. Asset life reviews are undertaken regularly for facilities impacted by climate change, environmental legislation or the group's transition plans. This can result in the acceleration of depreciation or be an indication of potential impairment of assets that are deemed to be commercially obsolete or for which no further use is planned.

The group is exposed to potential asset write-downs following flooding resulting from extreme weather events, the frequency and severity of which are expected to increase over the coming years. Following any significant flooding, assets damaged beyond repair are identified for impairment or write-off. No such charges were required in the current financial year. Extreme rainfall events can also impact sewer flooding and pollution events. Provisions for potential environmental claims and undertakings relating to these events are recognised at the best estimate of the amount required to settle the obligation at the reporting date, as noted earlier in note 2.

Climate change also presents challenges relating to extreme temperature events, particularly heatwaves, hot spells and extreme wind and storms, the frequency, intensity and severity of which are generally expected to increase. Chronic risks are also considered, such as wetter winters, drier summers and sea level rise. These could potentially impact the viability of certain types of assets in future years such as those associated with the intake of water from the natural environment, or require a strategic reconfiguration of assets to respond to such challenges. It is expected that if any such impact were to materialise this would be over a longer period of time rather than within a single financial year, and no financial impact has been identified in the current year.

The group mitigates the exposure that the carrying value of its asset base has to climate-related risks through strategic planning activities that include asset management and investment plans, drought plans, emergency response plans, relocation of at-risk assets and flood screening for all new capital schemes. The group installs physical flood defences and other resilience measures at the most vulnerable facilities to reduce the risk to its assets. The group further mitigates the financial exposure arising from climate-related risks through the use of insurance policies, which insure against costs incurred as a result of major environmental incidents.

2. Accounting policies *(continued)*

Critical accounting judgements and key sources of estimation uncertainty *(continued)*

d) Climate change *(continued)*

Further detail of these climate-related risks and the expected impacts and mitigations climate change is set out within the Climate-related Financial Disclosures section of the Strategic report.

The risks are long-term in nature, and whilst they will provide a need for investment in the future, we conclude 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.

3. Revenue

Year ended 31 March 2025

	UK regulated water and wastewater services £m	UK service operations £m	UK property development £m	Other companies and consolidation adjustments £m	Total before reallocations £m	Reallocation to other operating income £m	Total operations after reallocations £m
Total revenue	1,304.2	31.3	0.5	(32.9)	1,303.1	(0.5)	1,302.6
Inter-company revenue	(1.6)	(31.3)	-	32.9	-	-	-
External revenue	**1,302.6**	**-**	**0.5**	**-**	**1,303.1**	**(0.5)**	**1,302.6**

Year ended 31 March 2024

	UK regulated water and wastewater services £m	UK service operations £m	UK property development £m	Other companies and consolidation adjustments £m	Total before reallocations £m	Reallocation to other operating income £m	Total operations after reallocations £m
Total revenue	1,235.2	29.2	5.9	(31.3)	1,239.0	(5.9)	1,233.1
Inter-company revenue	(2.1)	(29.2)	-	31.3	-	-	-
External revenue	1,233.1	-	5.9	-	1,239.0	(5.9)	1,233.1

4. Segmental information

Year ended 31 March 2025

	UK regulated water and wastewater services £m	UK service operations £m	UK property development £m	Other companies and consolidation adjustments £m	Total before reallocations £m	Reallocation to other operating income £m	Total after reallocations £m
External revenue (note 3)	1,302.6	-	0.5	-	1,303.1	(0.5)	1,302.6
Depreciation, impairment and amortisation	(361.9)	-	-	(7.0)	(368.9)	-	(368.9)
Release of deferred income	14.4	-	-	-	14.4	-	14.4
Other operating costs	(635.3)	0.1	5.9	(2.4)	(631.7)	-	(631.7)
Group operating profit	**319.8**	**0.1**	**6.4**	**(9.4)**	**316.9**	**(0.5)**	**316.4**
Finance income before fair value movements (note 7)							16.9
Finance costs before fair value movements (note 7)							(583.4)
Fair value movements (note 7)							311.6
Share of associates and joint ventures' profit							0.3
Profit before taxation							**61.8**
Tax charge (note 8)							(54.9)
Profit for the year attributable to owners of the parent							**6.9**

4. Segmental information *(continued)*

Year ended 31 March 2025

	UK regulated water and wastewater services £m	UK service operations £m	UK property development £m	Other companies and consolidation adjustments £m	Total £m
Assets	10,936.6	(0.2)	18.5	1,238.9	12,193.8
Liabilities	(3,775.1)	(3.0)	(0.4)	(2,537.0)	(6,315.5)
Net debt (note 20)	(6,190.0)	0.3	-	(304.6)	(6,494.3)
Net assets/(liabilities)	**971.5**	**(2.9)**	**18.1**	**(1,602.7)**	**(616.0)**
Other information					
Tangible asset capital additions (note 10)	888.7	-	-	-	888.7

There are no material assets of the group located outside the United Kingdom in the year ended 31 March 2025, this being the case the group has one single geographical segment, being the United Kingdom.

4. Segmental information *(continued)*

Year ended 31 March 2024

	UK regulated water and wastewater services £m	UK service operations £m	UK property development £m	Other companies and consolidation adjustments £m	Total before reallocations £m	Reallocation to other operating income £m	Total after reallocations £m
External revenue (note 3)	1,233.1	-	5.9	-	1,239.0	(5.9)	1,233.1
Depreciation, impairment and amortisation	(375.4)	(0.1)	-	(6.8)	(382.3)	-	(382.3)
Release of deferred income	14.1	-	-	-	14.1	-	14.1
Other operating costs	(651.2)	0.2	(9.0)	70.4	(589.6)	5.9	(583.7)
Group operating profit	220.6	0.1	(3.1)	63.6	281.2	-	281.2
Finance income before fair value movements (note 7)							13.4
Finance costs before fair value movements (note 7)							(570.8)
Fair value movements (note 7)							73.7
Share of associates and joint ventures' profit							2.1
Loss before taxation							(200.4)
Tax charge (note 8)							(3.8)
Loss for the year attributable to owners of the parent							(204.2)

4. Segmental information *(continued)*

Year ended 31 March 2024

	UK regulated water and wastewater services £m	UK service operations £m	UK property development £m	Other companies and consolidation adjustments £m	Total £m
Assets	10,271.5	(0.3)	17.8	1,231.5	11,520.5
Liabilities	(3,795.0)	(3.7)	(1.2)	(2,292.0)	(6,091.9)
Net debt (note 20)	(5,843.3)	0.2	-	(218.8)	(6,061.9)
Net assets/(liabilities)	633.2	(3.8)	16.6	(1,279.3)	(633.3)
Other information					
Tangible asset capital additions (note 10)	684.6	-	-	-	684.6

Other companies and consolidation adjustments includes adjustments made to the consolidated financial information of subsidiaries in line with IFRS and £nil (2023: £1,954.8m) of loan notes issued by Kelda Eurobond Co Limited. On 27 June 2023, Kelda Holdings Limited acquired these loan notes in exchange for shares in Kelda Holdings Limited.

There are no material assets of the group located outside the United Kingdom in the year ended 31 March 2024, this being the case the group has one single geographical segment, being the United Kingdom.

5. Operating costs

Operating costs include the following:

	2025 £m	Restated[1] 2024 £m
Own work capitalised	**(89.1)**	(78.4)
Raw materials and consumables	**71.3**	73.2
Energy	**100.2**	123.2
Hired and contracted services	**138.1**	150.1
Business rates	**57.9**	53.4
Software and telecommunications	**23.9**	21.3
Abstraction and discharge licenses	**21.9**	17.0
Water and sewage charges	**4.5**	4.3
Other licenses and subscriptions	**7.4**	6.8
Insurance	**9.6**	13.8
Other operating costs and (credits)	**(7.9)**	(20.4)
Staff costs (note 6)	**251.1**	226.9
Depreciation and impairment of tangible assets (note 10)	**318.5**	338.8
Amortisation of intangible assets (note 9)	**50.4**	43.5
Restructuring costs	**0.8**	0.6
Profit on disposal of property, plant, and equipment	**(0.8)**	(0.8)
Defined benefit pension cost/(credit)	**5.1**	(36.6)
Other operating income	**(9.3)**	(8.3)
Operating costs before charge for bad and doubtful debts	**953.6**	928.4
Charge for bad and doubtful debts (note 11)	**32.6**	23.5[1]
Operating costs before exceptional costs	**986.2**	951.9

[1] Restated, please see note 2 for further information.

The above table has been re-presented in the current year to disclose a more detailed breakdown of operating costs.

Auditor's remuneration

Services provided by the group's auditor are analysed as follows:

	2025 £m	2024 £m
Fees payable to the group's auditor for:		
Fees payable for the audit of the Financial Statements of subsidiaries pursuant to legislation	**0.9**	0.9
Other assurance services	**0.1**	-
	1.0	0.9

5. Operating costs *(continued)*

Other assurance services of £60k (2024: £nil) relates to bond prospectus services and £27k (2024: £27k) relates to regulatory reporting obligations.

6. Directors and employees

	2025	2024
Average monthly number of people employed by the group		
UK regulated water & wastewater	**3,592**	3,453
Support services	**912**	903
	4,504	4,356

	2025 £m	2024 £m
Total employment costs:		
Wages and salaries	**212.2**	189.3
Social security costs	**22.5**	20.2
Other pension costs	**16.4**	17.4
	251.1	226.9

Directors' emoluments

	2025 £m	2024 £m
Aggregate emoluments	**1.7**	2.0

The amounts in respect of the highest paid director are as follows:

	2025 £m	2024 £m
Aggregate emoluments	**0.7**	1.0

During 2025, none (2024: none) of the executive directors were a contributory member of the Kelda Group Pension Plan, a defined benefit scheme. The accrued pension benefit of the highest paid director in 2025 was £nil (2024: £nil).

During the year ended 31 March 2025, no directors (2024: two) were incentivised through a long-term incentive plan which allows them to receive, at the discretion of the Remuneration Committee, a conditional monetary award.

7. Finance income and finance costs

	2025 £m	2024 £m
Finance income		
Interest on bank deposits	**12.7**	9.0
Net interest gain on pension scheme liabilities (note 18)	**4.2**	2.7
Interest receivable from parent company	**-**	1.7
Total finance income before fair value movements	**16.9**	13.4
Finance costs		
Interest payable on fixed rate and inflation guaranteed bonds and notes	**(210.9)**	(189.5)
Interest payable on fixed rate USD notes	**-**	(3.1)
Interest payable on fixed rate AUD bonds	**-**	(0.2)
Interest payable from swaps in hedge relationships	**(12.0)**	(14.2)
Amortisation of issue costs in respect of bonds and private notes	**(8.1)**	(7.1)
Total finance costs for bonds and private notes	**(231.0)**	(214.1)
Interest payable on bank borrowings	**(44.1)**	(40.9)
Index accretion on inflation linked borrowings	**(79.4)**	(110.3)
Interest payable on notes issued by Kelda Eurobond Co Limited	**-**	(54.7)
Interest payable on leases	**(2.1)**	(2.2)
Commitment fees and miscellaneous interest	**(9.9)**	(7.8)
Interest payable to parent company	**(281.2)**	(195.6)
	(647.7)	(625.6)
Finance costs before interest capitalisation and fair value movements		
Interest capitalised (note 10)	**64.3**	54.8
Finance costs before fair value movements	**(583.4)**	(570.8)
Fair value movements	**311.6**	73.7
Net fair value movements and finance (costs)/income	**(254.9)**	(483.7)

For more information on borrowings refer to note 12.

Fair value movements are explained below.

7. Finance income and finance costs *(continued)*

The following table summarises the fair value movements on derivative instruments recognised in the consolidated statement of profit or loss:

	2025	2024
	£m	£m
Favourable / (unfavourable) fair value movements		
Movement in fair value of inflation linked swaps (see below)	**322.8**	69.3
Movement in fair value of RPI to CPI swaps	**(4.3)**	(3.4)
Movement in fair value of floating to fixed interest rate swaps	**3.2**	2.8
Movement in fair value of cross-currency interest rate swaps	**-**	(23.5)
Movement in fair value of debt associated with cross-currency interest rate swaps	**-**	23.1
Movement in fair value of fixed to floating interest rate swaps	**(10.3)**	13.1
Movement in the fair value of debt associated with fixed to floating interest rate swaps	**0.2**	(7.7)
Total fair value movements	**311.6**	73.7

The above table has been re-presented in the year to show favourable and (unfavourable) movements.

The favourable movement in fair value of inflation linked swaps of £322.8m (2024: £69.3m favourable) is made up of a charge of £65.6m (2024: £97.3m) in relation to the RPI bullet accumulated as at 31 March 2025, interest receivable of £113.9m (2024: £118.8m), interest payable of £57.6m (2024: £63.2m) and other favourable fair value movements of £332.1m (2024: £111.0m favourable).

Further details relating to all other fair value movements are shown in note 20 (b).

	2025	2024
	£m	£m
Fair value movements and finance (cost)/income		
Financial instruments held at fair value through profit and loss or in fair value hedge relationships	**282.9**	41.1
Financial instruments held at amortised cost	**(542.0)**	(527.5)
Net interest gain on pension scheme liabilities (note 18)	**4.2**	2.7
Net fair value movements and finance (costs)/income	**(254.9)**	(483.7)

8. Tax charge on continuing operations

	2025 £m	2024 £m
Current tax		
UK Corporation Tax at 25% (2024: 25%)	**(32.3)**	(12.2)
Total current tax charge to the statement of profit or loss	**(32.3)**	(12.2)
Deferred tax		
UK charge for origination and reversal of temporary differences	**87.8**	16.4
Over provision of tax in respect of previous periods	**(0.6)**	(0.4)
Effect of tax rate changes	**-**	-
Total deferred charge to the statement of profit or loss	**87.2**	16.0
Total tax charge to the statement of profit or loss	**54.9**	3.8
Tax relating to items charged to other comprehensive income		
Deferred tax:		
Actuarial gains in respect of defined benefit pension schemes	**3.3**	(3.6)
Movement in cash flow hedges	**0.2**	(1.0)
Revaluation of assets	**-**	4.8
Tax charge in the statement of comprehensive income	**3.5**	0.2

The differences between the total current and deferred tax charge shown and the amount calculated by applying the rate of corporation tax of 25% (2024: 25%) to the profit/(loss) before tax is as follows:

	2025 £m	2024 £m
Profit/(loss) before taxation	**61.8**	(200.4)
Current and deferred tax on profit/(loss) at the tax rate of 25% (2024: 25%)	**15.4**	(50.1)
Effects of:		
Expenses not deductible for tax purposes	**6.6**	6.2
Income not taxable	**(4.5)**	(1.8)
Adjustments in relation to prior periods	**(0.5)**	(0.4)
Movement in deferred tax not recognised	**-**	3.4
Non-deductible interest	**37.9**	10.3
Income from capital disposal not subject to tax	**-**	(0.1)
Transfer pricing adjustment	**-**	36.3
Current and deferred tax charged to the statement of profit or loss	**54.9**	3.8

8. Tax charge on continuing operations *(continued)*

The Finance Bill 2021, enacted on 24 May 2021 set the main rate of corporation tax to 25% from 1 April 2023. This is the rate which has been used in preparing these Financial Statements for both current tax and deferred tax.

The group continues to believe that it has made adequate provision for current tax and deferred tax liabilities. The ultimate liability for such matters may vary from the amounts provided and is dependent upon HM Revenue & Custom's agreement of the basis on which the group's tax returns are filed. In assessing these tax uncertainties, management is required to make judgements, evaluating the circumstances, facts, and other relevant information in respect of the tax position taken together with estimates of amounts that will be necessary to provide. The nature of the group's uncertain tax positions can relate to complex tax legislation that can be open to interpretation. Original estimates are always refined as additional information becomes known.

Any uncertain tax positions are assessed using internal expertise, experience, and judgment together with assistance and opinions from professional advisors. The deferred tax credit for continuing operations for the year reflected in the consolidated statement of profit or loss relates to the following:

	2025	2024
	£m	£m
Property, plant, and equipment	**0.8**	(29.5)
Financial instruments	**83.9**	33.3
Retirement benefit obligations	**1.0**	10.7
Losses	**1.5**	1.5
Deferred tax charge	**87.2**	16.0

9. Intangible assets

	Software £m	Goodwill £m	Total £m
Cost			
At 1 April 2024	431.5	1,800.3	2,231.8
Additions	88.5	-	88.5
Disposals	(40.4)	-	(40.4)
At 31 March 2025	**479.6**	**1,800.3**	**2,279.9**
Accumulated impairment and amortisation			
At 1 April 2024	141.8	750.0	891.8
Amortisation	50.4	-	50.4
Disposals	(40.4)	-	(40.4)
At 31 March 2025	**151.8**	**750.0**	**901.8**
Net book value at 31 March 2025	**327.8**	**1,050.3**	**1,378.1**

	Software £m	Goodwill £m	Total £m
Cost			
At 1 April 2023	341.8	1,800.3	2,142.1
Additions	104.3	-	104.3
Disposals	(14.6)	-	(14.6)
At 31 March 2024	**431.5**	**1,800.3**	**2,231.8**
Accumulated impairment and amortisation			
At 1 April 2023	112.9	750.0	862.9
Amortisation	43.5	-	43.5
Disposals	(14.6)	-	(14.6)
At 31 March 2024	**141.8**	**750.0**	**891.8**
Net book value at 31 March 2024	**289.7**	**1,050.3**	**1,340.0**

Software includes £32.2m (2024: £35.6m) in relation to SAP S4 assets, the remaining amortisation period is nine years.

9. Intangible assets _(continued)_

Impairment tests for goodwill

Goodwill of £1,050.3m (2024: £1,050.3m) is all allocated to the UK regulated water services business segment. The annual review of goodwill has determined the goodwill carrying amount is supported by the recoverable amount. No impairment is considered necessary for the year ended 31 March 2025.

The recoverable amount of the UK regulated water services segment is determined based on a fair value calculation, using pre-tax cash flow projections based on financial budgets, Yorkshire Water's final determination and long-term business modelling covering a 25-year period. The period of cash flows of 25 years is deemed appropriate as it aligns with the long-term planning of the regulated business. The discounted cash flows include a terminal value representing the sale of infrastructure assets, which amounts to an RCV multiple of 1.10x (2024: 1.10x). The underlying cash flows in the model are also a key assumption. The discount and inflation rates applied, and terminal value have been determined based on risk factors specific to the industry and circumstances of the group. See note 2 for further detail.

The key assumptions used for the calculation are as follows:

	2025	2024
Long-term inflation RPI	**2.00%**	2.00%
Long-term inflation CPIH	**2.00%**	2.00%
Discount rate	**10.00%**	9.50%
Terminal value (multiple of RCV)	**1.10x**	1.10x

A further key assumption is the cash flow projections included in the calculation, which include planned efficiency targets. The long-term inflation rate used is based on the Government inflation target of 2.00%, plus the expected alignment of RPI and CPIH from 2030. The cash flows have been inflated by RPI/CPIH as appropriate and discounted back. Management have considered the sensitivity of the key assumptions; it is believed that no reasonably possible change would erode the headroom to the stage of needing to impair the balance, therefore no sensitivity analysis has been disclosed.

10. Property, plant, and equipment

	Land and Buildings £m	Restated[1] Land and Buildings (revalued) £m	Restated[1] Infrastructure assets £m	Plant and equipment £m	Under construction £m	Restated[1] Group total £m
Cost or valuation						
At 1 April 2024	2,061.5	82.5	5,459.4	2,758.4	983.4	11,345.2
Additions at cost	20.1	-	112.5	46.5	709.6	888.7
Transfers on commissioning	91.8	-	165.7	164.0	(421.5)	-
Disposals	(4.5)	(0.2)	(15.5)	(165.3)	-	(185.5)
Transfer to assets held for sale	-	1.3	-	-	-	1.3
At 31 March 2025	**2,168.9**	**83.6**	**5,722.1**	**2,803.6**	**1,271.5**	**12,049.7**
Accumulated depreciation						
At 1 April 2024	518.4	-	101.6	1,308.3	-	1,928.3
Charge for the year	43.0	1.1	108.5	160.1	-	312.7
Disposals	(4.5)	-	(15.5)	(165.2)	-	(185.2)
At 31 March 2025	**556.9**	**1.1**	**194.6**	**1,303.2**	**-**	**2,055.8**
Net book value at 31 March 2025	**1,612.0**	**82.5**	**5,527.5**	**1,500.4**	**1,271.5**	**9,993.9**

[1] Restated, please see note 2 for further information.

During the year the group capitalised borrowing costs amounting to £64.3m (2024: £54.8m) on qualifying assets. Borrowing costs were capitalised at a weighted average rate of 4.82% (2024: 5.35%) Included in the net book value as at 31 March 2025 are £287.7m of capitalised borrowing costs (2024: £237.5m).

10. Property, plant, and equipment *(continued)*

	Land and Buildings £m	Restated[1] Land and Buildings (revalued) £m	Restated[1] Infrastructure assets £m	Plant and equipment £m	Under construction £m	Restated[1] Group total £m
Cost or valuation						
At 1 April 2023	2,027.1	92.6	5,300.1	2,797.1	668.7	10,885.6
Additions at cost	14.7	-	115.1	36.1	518.7	684.6
Transfers on commissioning	43.1	-	48.9	112.0	(204.0)	-
Disposals	(23.4)	(2.0)	(4.7)	(186.8)	-	(216.9)
Revaluation	-	7.2	-	-	-	7.2
Transfer to assets held for sale	-	(15.3)	-	-	-	(15.3)
At 31 March 2024	**2,061.5**	**82.5**	**5,459.4**	**2,758.4**	**983.4**	**11,345.2**
Accumulated depreciation						
At 1 April 2023	492.4	12.2	-	1,327.9	-	1,832.5
Charge for the year	49.3	1.3	106.3	167.0	-	323.9
Impairment	-	9.2		-	-	9.2
Disposals	(23.3)	(0.4)	(4.7)	(186.6)	-	(215.0)
Revaluation	-	(12.0)	-	-	-	(12.0)
Transfer to assets held for sale	-	(10.3)	-	-	-	(10.3)
At 31 March 2024	**518.4**	**-**	**101.6**	**1,308.3**	**-**	**1,928.3**
Net book value at 31 March 2024	**1,543.1**	**82.5**	**5,357.8**	**1,450.1**	**983.4**	**9,416.9**

[1] Restated, please see note 2 for further information.

10. Property, plant, and equipment _(continued)_

Right of use assets

	Land and Buildings £m	Infrastructure assets £m	Plant and equipment £m	Group total £m
Cost				
At 1 April 2024	6.7	37.3	17.2	61.2
Additions	0.9	-	3.7	4.6
Remeasurements	4.6	-	0.5	5.1
Disposals	(4.4)	-	(3.0)	(7.4)
Transfer	(1.3)	1.3	-	-
At 31 March 2025	**6.5**	**38.6**	**18.4**	**63.5**
Depreciation and impairment				
At 1 April 2024	4.2	5.3	8.5	18.0
Charge for the year	0.9	1.2	3.7	5.8
Remeasurement	4.4	-	1.5	5.9
Disposals	(4.4)	-	(3.0)	(7.4)
Transfer	(0.3)	0.3	-	-
At 31 March 2025	**4.8**	**6.8**	**10.7**	**22.3**
Net book value at 31 March 2025	**1.7**	**31.8**	**7.7**	**41.2**

10. Property, plant, and equipment *(continued)*

Right of use assets

	Land and Buildings £m	Infrastructure assets £m	Plant and equipment £m	Group total £m
Cost				
At 1 April 2023	9.4	37.3	14.5	61.2
Additions	0.6	-	4.9	5.5
Disposals	-	-	(2.2)	(2.2)
Transfer to assets held for sale	(3.3)	-	-	(3.3)
At 31 March 2024	**6.7**	**37.3**	**17.2**	**61.2**
Depreciation and impairment				
At 1 April 2023	3.3	4.3	5.9	13.5
Charge for the year	1.0	1.0	3.7	5.7
Disposals	-	-	(1.1)	(1.1)
Transfer to assets held for sale	(0.1)	-	-	(0.1)
At 31 March 2024	**4.2**	**5.3**	**8.5**	**18.0**
Net book value at 31 March 2024	**2.5**	**32.0**	**8.7**	**43.2**

10. Property, plant, and equipment *(continued)*

Revaluation - Infrastructure assets

The company's infrastructure assets were valued by management at 31 March 2025 and 31 March 2024 using the approach outlined in note 2. These annual valuations are performed on a consistent basis in accordance with IAS 16 which requires that assets subject to a policy of revaluation should be carried at their fair value less any subsequent accumulated depreciation and accumulated impairment losses. IAS 16 allows, where market based evidence of fair value is not available due to the specialised nature of the items of property plant and equipment, an entity to estimate fair value using an income approach.

For the year ended 31 March 2025, £nil adjustment was made to the existing book value of infrastructure assets (2024: £nil). The directors note that the revaluation reserve position may be subject to movements in future periods as key discounted cash flow (DCF) model assumptions are revised as information regarding future price controls and regulatory policy becomes available.

Revaluation - Land and buildings

Certain categories of the company's land and buildings are also held under a revaluation model, on the basis of existing use, and were valued by independent qualified valuers as at 31 March 2024.

The valuations were undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors in the UK by the following surveyors:

- Non-specialist properties — Lambert Smith Hampton Limited
- Rural estates — Carter Jonas LLP
- Residential properties — Carter Jonas LLP

The external valuations on properties will be re-performed on a periodic basis. An interim valuation is booked in intervening years based on directors' valuations. The valuations carried out at 31 March 2024 have been considered at 31 March 2025 by the directors, taking into account indicators such as the continued impact of climate change, and have concluded that the current book values are not materially different to current market values.

10. Property, plant, and equipment *(continued)*

Categories of assets revalued as at 31 March 2025 are as follows:

	Revalued amount £m	Historical cost basis £m
Infrastructure assets	5,559.3	4,619.0
Non-specialist properties	19.0	16.8
Rural estates	64.7	0.5
Residential properties	4.0	-
Net book value of assets revalued	**5,647.0**	**4,636.3**

Analysis of the net book value of revalued land and building (including assets held for sale) is as follows:

	Revalued amount £m	Historical cost basis £m
1 April 2023[1]	82.7	30.4
Disposals	(1.6)	(1.5)
Net revaluation gain	19.2	-
Depreciation and impairment	(10.5)	(10.1)
1 April 2024[2]	**89.8**	**18.8**
Disposals	**(1.0)**	**(0.6)**
Depreciation and impairment	**(1.1)**	**(0.9)**
31 March 2025[3]	**87.7**	**17.3**

[1] Includes £2.3m assets held for sale.
[2] Includes £7.3m assets held for sale.
[3] Includes £5.2m assets held for sale.

10. Property, plant, and equipment *(continued)*

Analysis of the net book value of revalued infrastructure assets is as follows:

	Revalued amount £m	Historical cost basis £m
At valuation/cost	5,722.1	6,504.9
Aggregate depreciation	(194.6)	(1,885.9)
Net book value of assets revalued	**5,527.5**	**4,619.0**

11. Trade and other receivables

	2025 £m	2024 £m
Amounts falling due within one year:		
Trade receivables	**248.9**	229.2
Provision for impairment of trade receivables	**(38.9)**	(33.8)
Net trade receivables	**210.0**	195.4
Amounts owed by parent company	**32.4**	-
Prepayments	**14.2**	12.8
Accrued income	**100.0**	95.4
Other tax and social security	**17.9**	17.3
Other receivables	**26.0**	20.5
	400.5	341.4

As at 31 March 2025, amounts owed by parent company include £32.4m (2024: £nil) in relation to corporation tax group relief, repayable on demand and interest free.

All receivables are reviewed regularly to assess any associated credit risk. There are no significant concentrations of credit risk. Any impairment considered necessary has been made to the amounts included above. See note 20 for further details of credit risks associated with financial instruments.

Credit control policies and procedures are determined at the individual business unit level. By far the most significant business unit of the group is Yorkshire Water, which represents 99.9% of group turnover and 99.9% of net trade receivables. Yorkshire Water has a statutory obligation to provide water and wastewater services to domestic customers within its region and therefore there is no concentration of credit risk with respect to its trade receivables from these services and the credit quality of its customer base reflects the wealth and prosperity of all the domestic households within its region. The expected credit loss rate is 3.0% (2024: 2.7%), calculated as the impairment write off as a percentage of revenue.

11. Trade and other receivables _(continued)_

As at 31 March 2025

		Past due					
	Not due	**Less than 1 year overdue**	**Between 1 and 2 years overdue**	**Between 2 and 3 years overdue**	**Between 3 and 4 years overdue**	**More than 4 years overdue**	**Total**
Trade receivables	0.2	129.9	23.8	19.3	17.9	57.8	248.9
Expected credit loss (£m)	-	(16.0)	(2.7)	(2.6)	(3.4)	(14.2)	(38.9)
Expected credit loss (%)	-	12.3	11.3	13.5	19.0	24.6	15.6

As at 31 March 2024

		Past due					
	Not due	Less than 1 year overdue	Between 1 and 2 years overdue	Between 2 and 3 years overdue	Between 3 and 4 years overdue	More than 4 years overdue	Total
Trade receivables	0.2	93.1	25.4	23.0	22.9	64.6	229.2
Expected credit loss (£m)	-	(13.7)	(2.3)	(2.1)	(4.0)	(11.7)	(33.8)
Expected credit loss (%)	-	14.7	9.1	9.1	17.5	18.1	14.7

The movement in the provision for impairment of trade receivables is as follows:

	2025	2024
	£m	£m
Provision at 1 April	**33.8**	34.9
Charge in the year	**32.6**	23.5
Amounts written off	**(27.5)**	(24.6)
Provision at 31 March	**38.9**	33.8

In all cases, the fair value of trade and other receivables is considered to be the carrying value as stated above.

12. Financing

(i) Cash and cash equivalents

	2025 £m	2024 £m
Cash and cash equivalents	**312.8**	151.6
Short-term deposits	**247.4**	18.8
	560.2	170.4

At 31 March 2025, the group had available £1,078.5m (2024: £962.0m) of undrawn committed borrowing facilities.

(ii) Borrowings

	2025 £m	2024 £m
Current borrowings:		
Bank borrowings	**94.6**	-
Other borrowings	**-**	80.0
	94.6	80.0
Non-current borrowings:		
Bank borrowings	**974.1**	1,023.0
Fixed rate guaranteed sterling bonds and notes due in less than 5 years	**815.4**	500.5
Fixed rate guaranteed sterling bonds and notes due in more than 5 years	**3,302.9**	2,927.6
Inflation linked guaranteed sterling bonds and notes due in more than 5 years	**1,867.5**	1,701.2
	6,959.9	6,152.3
Total borrowings	**7,054.5**	6,232.3

'Other borrowings' includes the drawn portion of Yorkshire Water's Revolving Credit Facility.

The floating rate notes of £74.5m in the prior year have been re-presented from a separate category within non-current borrowings to bank borrowings.

Included within borrowings are:

	2025 £m	2024 £m
Current bank borrowings - Floating rate loans		
Floating rate loan repayable on 31 December 2025. The margin charged is 4.00%[14]	**49.7**	-
Floating rate loan repayable on 31 December 2025. The margin charged is 3.25%[14]	**44.9**	-
Total current bank borrowings	**94.6**	-

12. Financing (continued)

(ii) Borrowings (continued)

Included within borrowings are:

	2025 £m	2024 £m
Non-current bank borrowings - Floating rate loans		
Floating rate loan repayable on 31 December 2025. The margin charged is 4.00%[1 4]	-	49.1
Floating rate loan repayable on 31 December 2025. The margin charged is 3.25% [1 4]	-	44.7
Floating rate loan repayable on 24 September 2026. The margin charged is 3.75% [1 4]	**24.9**	24.9
Revolving credit facility repayable on 31 March 2027. The margin charged is 2.75% [1 4 5]	**30.0**	-
Floating rate loan repayable on 9 May 2027. The margin charged is 4.25% [1 4]	**144.3**	144.0
Floating rate loan repayable on 4 May 2028. The margin charged is 4.50% [1 4]	**28.4**	28.3
Floating rate loan repayable on 8 November 2028. The margin charged is 6.00% [1 4]	**52.6**	52.6
Floating rate loan repayable on 9 April 2029. The margin charged is 3.00% [1 4]	**64.0**	63.8
Floating rate loan repayable on 16 March 2037. The margin charged is 2.20% [1]	**74.5**	74.5
	418.7	481.9
Non-current bank borrowings - Fixed rate loans		
Fixed rate loan repayable on 4 May 2028. Interest is charged at 5.0878% [4]	**47.4**	47.2
Fixed rate loan repayable on 11 July 2031. Interest is charged at 2.881%	**49.9**	49.9
	97.3	97.1
Non-current bank borrowings - Inflation linked loans		
Inflation linked loan repayable on 27 March 2029. Interest is charged at 0.4745% [2]	**127.3**	123.7
Inflation linked loan repayable on 16 March 2029. Interest is charged at 1.356% [3]	**36.7**	35.4
Inflation linked loan repayable on 11 July 2031. Interest is charged 0.8125% [2]	**32.0**	31.2
Inflation linked loan repayable on 12 August 2032. Interest is charged at 0.695% [2]	**115.6**	112.3
Inflation linked loan repayable on 16 September 2034. Interest is charged at 1.378% [3]	**36.6**	35.4
Inflation linked loan repayable on 16 March 2037. Interest is charged at 1.418% [3]	**109.9**	106.0
	458.1	444.0
Total non-current bank borrowings	**974.1**	1,023.0

[1] Interest is charged on these loans at a floating rate linked to SONIA plus the margin shown.

[2] Interest is charged on these loans at the above percentages multiplied by an index ratio and the principal amount is increased in line with CPI.

[3] Interest is charged on these loans at the above percentages multiplied by an index ratio and the principal amount is increased in line with RPI.

[4] Amounts held by Kelda Finance (No.2) Limited.

[5] Kelda Finance (No.2) Limited has access to a £30m revolving credit facility that matures in March 2027. As at 31 March 2025, £30m has been drawn on this facility (2024: £nil).

12. Financing *(continued)*

(ii) Borrowings *(continued)*

Kelda Finance (No.2) Limited is subject to financial covenants in relations to its borrowings, which if breached and if cure rights are not exercised, could result in loans becoming immediately payable. These covenants specify certain limits in terms of the net debt of Kelda Finance (No.2) Limited and its subsidiaries to Yorkshire Water's regulatory capital value (RCV) and in terms of interest cover. As of 31 March 2025, Kelda Finance (No.2) Limited was not in breach of any financial covenants.

	2025	2024
Fixed rate guaranteed sterling bonds and notes due in less than 5 years are made up of:	**£m**	£m
Bonds repayable on 26 November 2026. Interest is charged at 1.75%	**299.5**	299.3
Bonds repayable on 28 May 2027. Interest is charged at 5.50%	**7.2**	7.1
Bonds repayable on 28 May 2027. Interest is charged at 6.454%	**134.9**	134.2
Private notes repayable on 22 September 2028. Interest is charged at 2.03%	**59.9**	59.9
Bonds repayable on 1 August 2029. Interest is charged at 3.625%	**228.6**	-
Private notes repayable on 30 October 2029. Interest is charged at 3.54%	**85.3**	-
Total fixed rate guaranteed sterling bonds and notes due in less than 5 years	**815.4**	500.5
Fixed rate guaranteed sterling bonds and notes due in more than 5 years are made up of:		
Bonds repayable on 1 August 2029. Interest is charged at 3.625%	**-**	226.6
Private notes repayable on 30 October 2029. Interest is charged at 3.54%	**-**	85.3
Bonds repayable 28 April 2030. Interest is charged at 5.25% [1]	**295.7**	247.4
Bonds repayable on 17 April 2031. Interest is charged at 6.6011%	**261.9**	262.8
Private notes repayable on 22 September 2031. Interest is charged at 2.14%	**49.9**	49.9
Bonds repayable on 27 October 2032. Interest is charged at 1.75%	**346.1**	345.6
Private notes repayable on 22 September 2033. Interest is charged at 2.21%	**49.9**	49.9
Bonds repayable on 13 June 2033. Interest is charged at 4.965%	**82.5**	84.3
Private notes repayable on 3 July 2034. Interest is charged at 5.68% [1]	**49.8**	-
Private notes repayable on 28 September 2034. Interest is charged at 3.08%	**49.8**	49.8
Bonds repayable on 18 November 2034. Interest is charged at 6.375% [1]	**494.9**	-
Bonds repayable 28 April 2035. Interest is charged at 5.50% [1]	**363.0**	270.9
Private notes repayable on 22 September 2036. Interest is charged at 2.30%	**39.9**	39.9
Private notes repayable on 22 September 2036. Interest is charged at 2.30%	**49.8**	49.8
Bonds repayable on 28 May 2037. Interest is charged at 5.50%	**190.3**	189.5
Private notes repayable on 28 September 2038. Interest is charged at 3.17%	**49.8**	49.7
Bonds repayable on 19 August 2039. Interest is charged at 6.375%	**301.7**	301.9
Bonds repayable on 18 April 2041. Interest is charged at 2.75%	**627.9**	624.3
Total fixed rate guaranteed sterling bonds and notes due in more than 5 years	**3,302.9**	2,927.6

[1] Movements in nominal values and new debt issuance are detailed below.

12. Financing *(continued)*

(ii) Borrowings *(continued)*

On 3 July 2024, the group received the proceeds from drawing £50.0m private placement loan notes which mature in July 2034 with a coupon rate of 5.68%.

On 11 September 2024, the group agreed terms to issue £400m of sustainability bonds due November 2034 with a coupon rate of 6.375%. The bonds were issued on 18 September 2024.

On 20 January 2025, the group agreed terms to issue £250m of sustainability bonds, £50m due April 2030, £100m due November 2034 and £100m due April 2035. The bonds have been consolidated respectively with the existing £250m 5.25% sustainability bonds due April 2030, the £400m 6.375% sustainability bonds issued September 2024 and due November 2034, and the £275m 5.50% sustainability bonds due April 2035. The bonds were issued on 24 January 2025.

	2025	2024
	£m	£m
Inflation linked guaranteed sterling bonds due in more than 5 years are made up of:		
Bonds repayable on 29 July 2033. Interest is charged at 3.3066%[1]	**244.8**	238.5
Bonds repayable on 30 December 2039. Interest is charged at 2.718%[1]	**486.7**	470.4
Bond repayable on 10 October 2039. Interest is charged at 4.276% [3]	**100.7**	-
Private notes repayable on 13 December 2041. Interest is charged at 2.16%[1]	**82.1**	79.2
Bonds repayable on 22 May 2042. Interest is charged at 1.803%[1 2]	**81.3**	78.6
Bonds repayable on 1 February 2050. Interest is charged at 1.8225%[1]	**115.9**	111.2
Bonds repayable on 1 August 2051. Interest is charged at 1.462%[1]	**216.3**	206.5
Bonds repayable on 1 February 2054. Interest is charged at 1.75756%[1]	**149.6**	143.5
Bonds repayable on 1 August 2056. Interest is charged at 1.46%[1]	**216.6**	207.1
Bonds repayable on 1 February 2058. Interest is charged at 1.7085%[1]	**173.5**	166.2
Total inflation linked guaranteed sterling bonds due in more than 5 years	**1,867.5**	1,701.2

All guaranteed borrowings above are repayable in one instalment unless stated otherwise.

[1] Interest is charged on these bonds and notes at the above percentages multiplied by an index ratio and the principal amount is increased in line with RPI.
[2] Amortising – repayments commence 2032.
[3] On 3 October 2024, the group agreed terms to issue £100m CPI-linked bonds due October 2039 with a coupon rate of 4.276%. The bonds were issued on 10 October 2024.

13. Lease liabilities

	2025 £m	2024 £m
Current	**6.3**	6.3
Non-current	**39.3**	42.3
	45.6	48.6

The group does not face a significant liquidity risk with regard to its lease liabilities.

14. Trade and other payables

	2025 £m	2024 £m
Amounts falling due within one year:		
Trade payables	**207.0**	221.6
Capital payables	**273.8**	179.6
Social security and other taxes	**6.0**	4.8
Receipts in advance	**81.4**	80.1
Interest payable	**139.3**	117.8
Provisions for liabilities and charges (note 16)	**3.7**	5.8
Amounts owed to parent company	**31.0**	30.1
	742.2	639.8
Amounts falling due after more than one year:		
Amounts owed to parent company	**2,467.4**	2,199.3
Other payables	**10.1**	8.0
	2,477.5	2,207.3

Trade and other payables falling due within one year principally comprise amounts outstanding for trade purchases and ongoing costs. The directors consider that the carrying amount of trade and other payables approximate to their fair value.

Amount falling due after more than one year include a loan from Kelda Holdings Limited of £2,467.4m (2024: £2,199.3m). The loan bears interest at a Sterling Overnight Index Average (SONIA) based rate plus 7% margin with a repayment date of 8 February 2028.

Amounts falling due within one year include the accrued interest on the loan from Kelda Holdings Limited of £31.0m (2024: £30.1m).

15. Deferred grants and contributions on depreciated assets

	2025	2024
	£m	£m
Amounts falling due within one year:		
Contributions to depreciated assets	**15.5**	14.4
Amounts falling due after more than one year:		
Contributions to depreciated assets	**635.5**	595.4

16. Provisions for liabilities and charges

	Insurance	**Regulatory**	**Other**	**Total**
	£m	**£m**	**£m**	**£m**
At 1 April 2024	23.2	5.8	0.7	29.7
Charged to income statement	12.4	4.5	-	16.9
Utilised in the year	(2.4)	(3.8)	-	(6.2)
At 31 March 2025	**33.2**	**6.5**	**0.7**	**40.4**

	2025	2024
	£m	£m
Included in:		
Current liabilities (note 14)	**3.7**	5.8
Non-current liabilities	**36.7**	23.9
	40.4	29.7

The regulatory activity relates to regulatory commitments governed by Ofwat schemes. Operational provisions largely relate to public liability matters and potential environmental claims. The provisions reported represent management's best estimate of the value of settlement, the timing of which is dependent on the resolution of the relevant claims.

17. Deferred income tax liabilities

	Losses	PPE	Financial instruments	Pension obligations	Total
	£m	£m	£m	£m	£m
At 1 April 2023	(78.4)	1,228.1	(381.1)	5.7	774.3
(Credit)/charge to statement of profit or loss	1.5	(29.5)	33.3	10.7	16.0
Credit to equity	-	4.8	(1.0)	(3.6)	0.2
At 1 April 2024	(76.9)	1,203.4	(348.8)	12.8	790.5
Charge to statement of profit or loss	1.5	0.8	83.9	1.0	87.2
Charge to equity	-	-	0.2	3.3	3.5
At 31 March 2025	**(75.4)**	**1,204.2**	**(264.7)**	**17.1**	**881.2**

The group has an unrecognised deferred tax asset of £55.4m (2024: £56.7m[1]) relating to timing differences on interest costs. The asset is unrecognised as, when the timing difference unwinds, we expect that the corporate interest restriction rules will deny any future tax deduction.

The group has applied the temporary exception, introduced in May 2023, from the accounting requirements for deferred taxes in IAS 12, so that the group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

18. Pensions

(i) Characteristics of and risks associated with the group's plan

Kelda Group Limited sponsors a UK pension plan, called the Kelda Group Pension Plan (KGPP). The KGPP has a number of benefit categories. Following a 60 day consultation with its active member colleagues, which ran from 17 October 2023 the plan closed to future accrual on 31 March 2024.

The responsibility for the governance and management of the KGPP lies with the Trustee Board (the Trustee) whose role is to ensure that the KGPP is administered in accordance with its rules and relevant legislation, and to safeguard the assets in the best interests of all members and beneficiaries. The Trustee is solely responsible for setting investment policy and for agreeing funding requirements with the employer through the triennial valuation process. The Trustee Board must be composed of member nominated representatives of the plan (MNDs) and company nominated directors (CNDs) in accordance with the KGPP’s rules.

Members of the KGPP Career Average section (CARE) paid contributions over the year ended 31 March 2024 at rates of 7.5%, 9.5% or 11.0% of pensionable pay (depending on benefit category). Members of the Mirror Image Section (MIS) section paid contributions of 7.5% or 8.5%. The majority of members paid contributions through a salary sacrifice arrangement. The group contributed 26.5% from 1 July 2022. Member contributions ceased at the end of 31 March 2024 when the KGPP closed to future accrual. An accrual for unfunded benefits of £8.1m has been included in the group's Financial Statements at 31 March 2025 (2024: £9.1m).

[1] Restated, interest which was previously disallowed under the anti-hybrid rules and treated as a temporary difference for deferred tax purposes, is now considered permanently non-deductible as no future tax relief is expected to arise. As a result, this interest is no longer disclosed as an unrecognised deferred tax asset in the 2024 comparative figures.

18. Pensions *(continued)*

(i) Characteristics of and risks associated with the group's plan *(continued)*

Risk exposure of the defined benefit (DB) plan

Whilst the group is not exposed to any unusual, entity specific or plan specific risks in its defined benefit pension plan, it is exposed to a number of significant risks, detailed below:

Inflation rate risk: IAS 19 assumptions are based upon current market expectations and will remain subject to market related inflation rates at future reporting dates. It should therefore be noted that any disclosed IAS 19 material increases to market related inflation expectations will continue to negatively impact the disclosed IAS 19 basis position. This is mitigated in part by inflation hedges held by the KGPP.

Interest rate risk: The DB obligation is determined using a discount rate derived from yields on high quality corporate bonds. A decrease or increase in corporate bond yields will respectively increase or decrease the KGPP's liabilities although this will be mainly offset by a high level of interest rate hedging.

Longevity risk: The majority of the KGPP's obligations are to provide benefits for the life of the members so increases in life expectancy or adverse changes in other demographics may result in an increase in the KGPP's liabilities.

Investment risk: KGPP's assets are invested in a diversified portfolio of liability-driven investments, debt securities, and other return-seeking assets. If the assets underperform the discount rate used to calculate the defined benefit obligation, it will reduce the surplus or increase the deficit. Volatility in asset values and the discount rate will lead to volatility in the net pension liability on the group's consolidated statement of financial position and in other comprehensive income. To a lesser extent this will also lead to volatility in the pension expense in the group's consolidated statement of profit or loss.

KGPP's assets are invested in such a way that they are expected to closely match changes in the calculated value of the defined benefit obligation. In particular, the interest rate and inflation sensitivity of the assets are designed to closely match the liabilities. To achieve this KGPP's liability-driven investment portfolio can invest in gilts, interest rate and inflation swaps, as well as other derivatives such as gilt repurchase agreements. KGPP does not make any use of annuities or longevity swaps. KGPP has hedged 100% of interest rate risk and inflation risk (of the liabilities).

The main risks associated with financial derivatives include: losses may exceed the initial margin; counterparty risk where the other party defaults on the contract; and liquidity risk where it may be difficult to close out a contract prior to expiry. Initial margin risk is managed through regular monitoring and adjustments to margin requirements, ensuring sufficient collateral is maintained. The terms under which the liability-driven investments (LDI) portfolio is managed include provisions to manage the exposure to counterparty risk, such as limits on the exposure to any single counterparty and minimum credit ratings that all counterparties must meet. Derivative positions are collateralised daily so as to aim to limit credit risk to one day's market movements.

Several other asset risks are considered by the Trustee when managing the KGPP's investments. These include concentration (being too heavily exposed to a specific area of the market), illiquidity (failing to meet intermediate liabilities as assets can't be sold), currency and investment manager specific risks. The Trustee also considers environmental, social and governance risks, with a particular recent focus on climate risk. Climate change is considered a systemic risk with the potential to have an economic, financial, and demographic impact making it a long-term financial risk to the KGPP's outcomes.

Interest rate risk and inflation risk is a material risk for the Plan, given that movements in interest rates and inflation materially influence the value of the liabilities assessed in present day terms. Some of the Plan's assets are subject to interest rate risk (both nominal and real interest rates). However, the overall interest rate exposure of the Plan's assets hedges part of the corresponding risks associated with the Plan's liabilities. The net effect will be to reduce the volatility of the funding level, and therefore the Trustee believes that it is appropriate to have exposure to interest rate risk in this manner.

18. Pensions *(continued)*

(i) Characteristics of and risks associated with the group's plan *(continued)*

The assets the Plan invests in directly with material exposure to changes in interest rates are the bonds, derivatives and cash within the Insight LDI and Insight Buy and Maintain Credit segregated portfolios. As mentioned above, 100% of the Plan's funded liabilities are currently hedged against interest rates using liability-driven investments. Similarly, the Plan's liability driven investments will move with inflation expectations and hedge 100% of total inflation linked liabilities.

The ultimate cost of the DB obligations to the group will depend upon actual future events rather than the assumptions made. The assumptions made are unlikely to be borne out in practice and as such the actual cost may be higher or lower than expected.

(ii) Major assumptions

Pension contributions are determined with the advice of independent qualified actuaries, Mercer Limited, on the basis of annual valuations using the projected unit credit method.

	2025	2024
	%	%
Inflation (RPI)	**3.15**	3.25
Inflation (CPI)	**2.70**	2.75
Rate of increase in salaries	**2.90**	3.00
Discount rate for plan liabilities	**5.80**	5.05
Life expectancy for a male pensioner aged 60 (in years)	**25.50**	26.20
Projected life expectancy at age 60 for male aged 40 (in years)	**27.00**	27.20
Life expectancy for a female pensioner aged 60 (in years)	**28.10**	28.60
Projected life expectancy at age 60 for female aged 40 (in years)	**29.50**	29.60

(iii) Plan assets and liabilities

Plan assets are stated at their mid or net asset value (NAV) values at the respective balance sheet dates.

To develop the expected long-term rate of return on assets assumption, the group considered the current level of expected returns on risk free investments (primarily Government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The post-employment benefit net surplus of £98.6m (2024: net surplus of £86.0m) is presented in the consolidated statement of financial position under non-current assets.

18. Pensions *(continued)*

(iii) Plan assets and liabilities

	2025 £m	2024 £m
Fair value of plan assets		
Debt instruments	**449.3**	305.1
Asset backed securities	**152.1**	141.2
Liability driven investments	**235.1**	185.3
Cash and cash equivalents	**16.5**	306.0
Direct lending	**86.7**	99.5
Total value of plan assets	**939.7**	1,037.1
Present value of plan liabilities	**(841.1)**	(951.1)
Post-employment benefits surplus	**98.6**	86.0

Plan assets are made up of £853.0m (2024: £937.6m) assets with a quoted market price and £86.7m (2024: £99.5m) unquoted assets. The pension plan has not invested in any of the group's own financial instruments nor in properties or other assets used by the group.

(iv) Analysis of the amounts included within the Financial Statements

	2025 £m	2024 £m
Analysis of amount charged to operating costs:		
Current service cost	**0.3**	6.6
Past service cost	**-**	(46.5)
Net interest credit on pension plan	**(4.2)**	(2.7)
Administrative expenses and/or taxes	**4.8**	3.3
Amounts charged/(credited) to the consolidated statement of profit or loss	**0.9**	(39.3)
Analysis of amounts recognised in group statement of comprehensive income:		
Return on plan assets (excluding interest income)	**85.7**	56.8
Effect of changes in demographic assumptions	**(18.1)**	(8.2)
Effect of changes in financial assumptions	**(78.4)**	(39.8)
Effect of changes in experience assumptions	**(1.8)**	6.2
Actuarial (gain)/loss recognised in the consolidated statement of comprehensive income	**(12.6)**	15.0
Total defined benefit credit recognised in the consolidated statement of profit or loss and statement of comprehensive income	**(11.7)**	(24.3)

Actuarial gains and losses are recognised as they occur in the group statement of comprehensive income.

18. Pensions *(continued)*

(iv) Analysis of the amounts included within the Financial Statements *(continued)*

The total employer contributions to the defined benefit plans for the year ending 31 March 2025 were £0.9m (2024: £10.5m). The total employer contributions to the defined contribution plan for the year ending 31 March 2025 were £14.6m (2024: £6.7m).

(v) Reconciliation of opening and closing retirement benefit liabilities and assets

	2025	2024
	£m	£m
Movements in the defined benefit obligation		
At 1 April	**(951.1)**	(1,040.8)
Current service cost	**(0.3)**	(6.6)
Past service costs	**-**	46.5
Interest expense	**(46.6)**	(49.6)
Remeasurements:		
Actuarial gains - demographic assumptions	**18.1**	8.2
Actuarial gains - financial assumptions	**78.4**	39.8
Experience adjustment	**1.8**	(6.2)
Benefits paid	**58.6**	57.6
At 31 March	**(841.1)**	(951.1)
The total defined benefit obligation comprises:		
Amounts owing to active members	**(121.4)**	(188.0)
Amounts owing to deferred members	**(153.1)**	(142.5)
Amounts owing to retired members	**(566.6)**	(620.6)
Total defined benefit obligation at 31 March	**(841.1)**	(951.1)

	2025	2024
	£m	£m
Changes in the fair value of plan assets:		
At 1 April	**1,037.1**	1,092.0
Return on plan assets (excluding interest income)	**(85.7)**	(56.8)
Interest income	**50.8**	52.3
Employer contributions	**0.9**	10.5
Benefits paid	**(58.6)**	(57.6)
Administrative expenses paid from plan assets	**(4.8)**	(3.3)
At 31 March	**939.7**	1,037.1

(vi) Sensitivity analysis

The effect of reasonably possible changes in key assumptions on the value of plan liabilities and the resulting pension charge in the consolidated statement of profit or loss and on the net DB pension plan liability is set out below. The sensitivities provided assume that all other assumptions and the value of the plans' assets remain unchanged and are not intended to represent changes that are at the extremes of possibility.

18. Pensions *(continued)*

(vi) Sensitivity analysis *(continued)*

The calculations are approximate in nature and full detailed calculations could lead to a different result. It is unlikely that isolated changes to individual assumptions will be experienced in practice. Due to the correlation of assumptions, aggregating the effects of these isolated changes may not be a reasonable estimate of the actual effect of simultaneous changes in multiple assumptions.

Analysis of the impact on the net balance sheet position:

	Base 2025 £m	**Increase 0.25% discount rate £m**	**Decrease 0.25% inflation rate £m**	**Mortality minus one year age rating £m**
Fair value of plan assets	939.7	939.7	939.7	939.7
Present value of defined benefit obligation	(841.1)	(819.0)	(821.6)	(864.8)
Surplus in the plan	98.6	120.7	118.1	74.9

Actuarial assumptions used in sensitivity analysis:

	Base 2025 %	**Increase 0.25% discount rate** %	**Decrease 0.25% inflation rate** %	**Mortality minus one year age rating** %
Discount rate	5.80	6.05	5.80	5.80
Rate of RPI assumption	3.15	3.15	2.90	3.15
Rate of CPI assumption	2.70	2.70	2.45	2.70
Rate of salary increase	2.90	2.90	2.65	2.90

The inflation assumption sensitivity applies to both the assumed rate of increase in CPI and RPI and include the impact on the rate of increases to pensions, both before and after retirement. These pension increases are linked to inflation (either CPI or RPI) subject to certain minimum and maximum limits.

Maturity profile of defined benefit obligation:

The following table provides information on the weighted average duration of the defined benefit pension obligation:

	2025 Years	2024 Years
Duration of the defined benefit obligation	**11**	12

18. Pensions *(continued)*

(vi) Sensitivity analysis *(continued)*

The following table provides information on the distribution and timing of the gross benefit payments:

	£m
Within 12 months	56.3
Between 1 and 2 years	57.3
Between 2 and 3 years	58.5
Between 3 and 4 years	60.2
Between 4 and 5 years	62.7
Between 6 and 10 years	314.1
11+ years	1,315.2

Funding arrangements

The last triennial funding valuation of the KGPP was carried out at 31 March 2024 and agreed in October 2024; the next valuation is due at 31 March 2027. In the year to 31 March 2024 the group made contributions of 26.5% based on pensionable pay, no deficit recovery contributions were due. The plan closed to future accrual at the end of 31 March 2024 when contributions ceased and there are currently no deficit contributions required.

Other considerations

In June 2023, the High Court handed down a decision in the Virgin Media Ltd versus NTL Pension Trustees II Limited, which considered the validity of certain historical pension scheme changes due to a lack of actuarial confirmation required by section 37 of the Pension Schemes Act 1993. A subsequent appeal brought by Virgin Media against the aspects of the June 2023 decision was dismissed by the court of appeal in July 2024. The implications of this case could be relevant for other defined benefit plans. On 5 June 2025, the Department for Work and Pensions announced the intention to introduce legislation to give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards.

The Company and Trustees have been reviewing the implications of this for the Kelda Group Pension Plan (KGPP). On the basis of this review and the recent news from DWP it is considered that past rule changes do not give rise to any material financial impacts. The impact of any future developments in this regard will be monitored closely.

19. Equity and other reserves

	Allotted, called up and fully paid		
	As at 31 March 2024 and 2025		
	Number	1p shares	Total
		£	£
Ordinary shares	**750,000,101**	**7,500,001**	**7,500,001**
Share premium			**1,077,948,523**
Total			**1,085,448,524**

Also included within equity are reserves, the nature of which are as follows:

Consolidated Statement of Profit or loss: Cumulative profits or losses, net of revaluation of retirement benefits and dividends paid.

Revaluation reserve: Infrastructure assets, residential properties, specialised properties, and rural estates are stated at fair value less any subsequent accumulated depreciation and impairment losses. Gains or losses on revaluation are recognised in other comprehensive income and accumulated in the revaluation reserve. For further details, see note 2 and note 10.

Hedging reserve: The group holds energy derivatives and interest rate swaps, which hedge the group's exposure to energy price risk and the variable interest rate risk in debt instruments measured at amortised cost. These derivatives are designated as cash flow hedges and hedge accounting has been applied. The hedging gain or loss is recognised in other comprehensive income. For further details, see note 2 and note 20.

The hedging gain or loss recognised in other comprehensive income is reclassified to profit or loss when the hedged item is recognised in profit or loss or when the hedging relationship ends. For further details, see note 2 and note 20.

20. Financial instruments

The disclosures below exclude short-term receivables and payables which are primarily of a trading nature and expected to be settled within normal commercial terms.

Derivative financial instruments and net debt comprise the following:

	2025 Less than one year £m	**2025 More than one year £m**	**2025 Total £m**	2024 Less than one year £m	2024 More than one year £m	2024 Total £m
Derivative financial assets:						
Inflation linked swaps	**-**	**278.3**	**278.3**	-	240.8	240.8
RPI to CPI swaps	**-**	**0.8**	**0.8**	-	-	-
Fixed to floating interest rate swaps	**-**	**-**	**-**	8.1	-	8.1
Floating to fixed interest rate swaps	**-**	**12.2**	**12.2**	-	13.6	13.6
Energy derivatives	**1.9**	**0.5**	**2.4**	1.0	0.1	1.1
Total derivative financial assets	**1.9**	**291.8**	**293.7**	9.1	254.5	263.6
Derivative financial liabilities:						
Inflation linked swaps	**-**	**(1,471.3)**	**(1,471.3)**	(26.2)	(1,704.9)	(1,731.1)
RPI to CPI swaps	**-**	**(2.1)**	**(2.1)**	-	(2.2)	(2.2)
Fixed to floating interest rate swaps	**-**	**(33.5)**	**(33.5)**	-	(30.6)	(30.6)
Floating to fixed interest rate swaps	**-**	**(3.5)**	**(3.5)**	-	(4.9)	(4.9)
Energy derivatives	**-**	**(0.1)**	**(0.1)**	-	-	-
Total derivative financial liabilities	**-**	**(1,510.5)**	**(1,510.5)**	(26.2)	(1,742.6)	(1,768.8)
Net debt:						
Cash and short-term deposits	**560.2**	**-**	**560.2**	170.4	-	170.4
Borrowings (note 12)	**(94.6)**	**(6,959.9)**	**(7,054.5)**	(80.0)	(6,152.3)	(6,232.3)
Total net debt	**465.6**	**(6,959.9)**	**(6,494.3)**	90.4	(6,152.3)	(6,061.9)

20. Financial instruments *(continued)*

The carrying amount of the derivative financial instruments are equal to the fair value, therefore a separate disclosure table has not been presented.

The below table shows the difference in carrying value and fair value for non-derivative financial instruments, excluding any non-derivative financial instruments where the carrying value is approximate to the fair value:

	Carrying value 2025 £m	**Fair value 2025 £m**	Carrying value 2024 £m	Fair value 2024 £m
Current borrowings				
Bank borrowings	**94.6**	**97.1**	-	-
Other borrowings	**-**	**-**	80.0	80.0
Non-current borrowings				
Bank borrowings	**974.1**	**908.4**	1,023.0	996.1
Fixed rate guaranteed sterling bonds and notes due in less than 5 years	**815.4**	**796.2**	500.5	472.2
Fixed rate guaranteed sterling bonds and notes due in more than 5 years	**3,302.9**	**2,980.3**	2,927.6	2,696.4
Inflation linked sterling bonds and notes due in more than 5 years	**1,867.5**	**1,506.1**	1,701.2	1,599.1
Total borrowings	**7,054.5**	**6,288.1**	6,232.3	5,843.8
Amounts owed to parent company	**2,467.4**	**2,851.6**	2,199.3	2,649.0

(a) Fair values of financial assets and financial liabilities

Inflation linked swaps

The group holds a number of inflation linked swaps, with a notional value of £1,088.6m (2024: £1,112.1m). During the year to 31 March 2025, the company addressed the mandatory break date of February 2025 on inflation linked swaps with a total notional value of £23.5m. Post-February 2025 cash flows have been cancelled through an early settlement payment made in June 2024. The next mandatory break date in the portfolio is February 2028 in relation to swaps with a notional value of £110.2m.

The group's portfolio of inflation linked swaps gave rise to a net liability of £1,193.0m (2024: £1,490.3m net liability) at the year-end date, comprising £278.3m assets and £1,471.3m liabilities (2024: £240.8m assets, £1,731.1m liabilities).

Included within the net liability are net assets of £60.2m (2024: £63.0m) relating to unamortised day one deferred gains and losses recognised on the restructuring of certain inflation linked swaps in prior years (note 20h).

The valuation model used by the group to determine the fair value of the inflation linked swap portfolio as at 31 March 2025 includes a FVA, DVA and Credit Valuation Adjustment (CVA) to reflect the long-term credit risk of the group's inflation linked swap portfolio. All the swaps in the portfolio have super-senior status. The FVA, DVA and CVA adjustments to the valuation represent unobservable inputs that have the potential to materially affect the resultant fair valuation, and therefore require estimation techniques to be adopted by management. Management uses a third-party expert to advise on the appropriateness of these assumptions and have prepared sensitivity analysis in order to evaluate the impact of a reasonably possible range of assumptions on the resultant valuation. The total adjustment made to the valuation as a result of the assumptions adopted in respect of these key inputs was £188.2m (2024: £199.5m).

20. Financial instruments *(continued)*

a) Fair values of financial assets and financial liabilities *(continued)*

RPI to CPI swaps

Yorkshire Water holds swaps with a notional value of £650.0m (2024: £300.0m).

These swaps are recognised as a net fair value liability of £1.3m at 31 March 2025 (2024: £2.2m liability). Hedge accounting has not been applied.

Interest rate swaps

(i) Fixed to floating interest rate swaps

The group holds £430.0m (2024: £1,430.0m) notional value of fixed to floating interest rate swaps. These swaps are recognised at a fair value liability of £33.5m (2024: £22.5m net liability). During the year to 31 March 2025, fixed to floating interest rate swaps with a notional value of £1,000.0m matured and are no longer included in the swaps portfolio.

Fair value hedge accounting has been applied to fixed to floating interest rate swaps with a notional value of £430.0m (2024: £430.0m). These swaps are recognised at a fair value liability of £33.5m (2024: £30.6m liability). The carrying value of associated debt designated in the hedge relationships has been adjusted for the hedged risk.

Hedge accounting has not been applied to fixed to floating interest rate swaps with a notional value of £nil (2024: £1,000.0m). These swaps matured in the year and are recognised as a fair value asset of £nil (2024: £8.1m asset).

(ii) Floating to fixed interest rate swaps

The group holds £197.0m (2024: £197.0m) notional value of floating to fixed interest rate swaps. This includes swaps held in Yorkshire Water, with a notional value of £45.0m (2024: £45.0m) recognised at a fair value liability of £3.5m (2024: £4.9m liability). Hedge accounting has not been applied.

In addition, Kelda Finance (No.2) Limited holds swaps with a notional value of £152.0m (2024: £152.0m) recognised at a fair value asset of £12.2m (2024: £13.6m asset). Of these, hedge accounting has not been applied to swaps with a notional value of £87.0m (2024: £87.0m). Swaps with a notional value of £65.0m (2024: £65.0m) have been designated in a cash flow hedge relationship with a £65.0m bank loan drawn in April 2022 and repayable on 9 April 2029.

Energy derivatives

The group holds energy derivatives recognised at a net fair value asset of £2.3m (2024: £1.1m net asset) as at 31 March 2025. Further information can be found in the cash flow hedge section in note 20 (f).

20. Financial instruments *(continued)*

(b) Movement in the fair values of financial assets and financial liabilities

The net movement in the fair value of derivative financial assets and derivative financial liabilities in the consolidated statement of financial position is broken down by category below:

	2025 £m	2024 £m
Inflation linked swaps	**297.3**	179.1
RPI to CPI swaps	**0.9**	(2.2)
Fixed to floating interest rate swaps	**(11.0)**	8.8
Floating to fixed interest rate swaps	**-**	2.5
Energy derivatives	**1.2**	(3.5)
Total movement	**288.4**	184.7

The movements for each type of derivative instrument are further broken down as per below:

	Balance brought forward £m	**Movement Non-cash - FVTPL[1] Income / (expense) £m**	**Movement Non-cash - FVTOCI[2] Gain/ (loss) £m**	**Movement Non-cash - Interest receivable /(payable) £m**	**Movement Cash - Interest (received) / paid £m**	**Movement Cash - Other (received) / paid £m**	**Balance carried forward £m**
Inflation linked swaps	(1,490.3)	322.8	-	-	(57.4)	31.9	(1,193.0)
RPI to CPI swaps	(2.2)	(4.3)	-	-	-	5.2	(1.3)
Fixed to floating interest rate swaps	(22.5)	(10.3)	-	(28.6)	27.9	-	(33.5)
Floating to fixed interest rate swaps	8.7	3.2	(0.5)	1.9	(4.6)	-	8.7
Energy derivatives	1.1	-	1.2	-	-	-	2.3
Total	**(1,505.2)**	**311.4**	**0.7**	**(26.7)**	**(34.1)**	**37.1**	**(1,216.8)**

[1] Measured at fair value through profit and loss
[2] Measured at fair value through other comprehensive income

20. Financial instruments *(continued)*

(b) Movement in the fair values of financial assets and financial liabilities *(continued)*

Movement in the fair value of inflation linked swaps

There are three cash flows associated with these inflation linked swaps:

- six monthly interest receivable linked to SONIA;
- six monthly interest payable linked to RPI; and
- an RPI-linked bullet that is payable on maturity of the instruments or at certain predetermined dates over the duration of the swaps.

In addition, a proportion of the inflation linked swaps also receives six monthly interest amounts based on a fixed rate.

The favourable movement on the inflation linked swaps of £297.3m (2024: £179.1m favourable) is broken down as follows:

	2025	2024
	£m	£m
Fair value income included in the consolidated statement of profit or loss (note 7)	**322.8**	69.3
Cash - interest received	**(57.4)**	(54.0)
Cash - accretion payment made during the year	**19.1**	140.7
Cash - termination of swaps	**12.8**	23.1
Movement – favourable	**297.3**	179.1

Interest payments and receipts are accrued in the consolidated statement of profit or loss. The RPI bullet accumulated at the balance sheet date has been accrued in the consolidated statement of profit or loss and is recognised within derivative financial assets and derivative financial liabilities. The RPI bullet accrued to 31 March 2025 was £522.3m (2024: £473.2m). Discounting the bullet to present value using an appropriate rate applied to the specific life of the inflation linked swaps decreased it by £224.9m (2024: £217.0m decrease) to £297.4m (2024: £256.2m).

20. Financial instruments *(continued)*

(b) Movement in the fair values of financial assets and financial liabilities *(continued)*

Movement in the fair value of RPI to CPI swaps

The RPI to CPI swaps have the following cash flows:

- annual accretion receivable linked to RPI; and
- annual accretion payable linked to CPI plus a fixed accretion amount payable.

Both RPI-linked and CPI-linked accretion accrued on these swaps at 31 March 2025 was £nil (2024: £nil).

The favourable movement on RPI to CPI swaps of £0.9m (2024: £2.2m unfavourable) is broken down as follows:

	2025 £m	2024 £m
Fair value expense included in the consolidated statement of profit or loss (note 7)	**(4.3)**	(3.4)
Cash - accretion payment made during the year	**5.2**	1.2
Movement – favourable/(unfavourable)	**0.9**	(2.2)

Movement in the fair value of fixed to floating interest rate swaps

The unfavourable movement on the fixed to floating interest rates swaps of £11.0m (2024: £8.8m favourable) is broken down as follows:

	2025 £m	2024 £m
(Expense)/income from swaps held in a hedge relationship	**(6.1)**	4.0
(Expense)/income from swaps not held in a hedge relationship	**(4.2)**	9.1
(Expense)/income included in the consolidated statement of profit or loss (note 7)	**(10.3)**	13.1
Cash - interest paid	**27.9**	24.6
Non-cash - Interest payable	**(28.6)**	(28.9)
Movement – (unfavourable)/ favourable	**(11.0)**	8.8

20. Financial instruments *(continued)*

(b) Movement in the fair values of financial assets and financial liabilities *(continued)*

Movement in the fair value of debt associated with fixed to floating interest rate swaps

The fair value movement of associated debt is £0.2m income (2024: £7.7m expense) as disclosed in note 7.

This is broken down as follows:

£1.8m expense (2024: £5.3m expense) of change in fair value of associated bonds relates to the 3.625% 2029 guaranteed bonds with a fair value of £229.7m (2024: £227.9m).

£1.9m income (2024: £1.0m expense) in fair value of associated bonds relates to the 4.965% 2033 Class B guaranteed bonds with a fair value of £82.5m (2024: £84.3m).

The remaining £0.1m income (2024: £1.4m expense) in fair value of associated bonds relates to the 3.54% 2029 guaranteed bond with a fair value of £84.2m (2024: £84.0m).

Combined with the expense from the swaps held in hedge relationship of £6.1m (2024: (£4.0m income) this is a total impact to the consolidated statement of profit or loss of £5.9m expense (2024: £3.7m expense). This represents ineffectiveness in the hedge relationships due to factors such as credit risk.

Movement in the fair value of floating to fixed interest rate swaps

The movement on floating to fixed interest rate swaps of £nil (2024: £2.5m favourable) is broken down as follows:

	2025 **£m**	2024 £m
Fair value income included in the consolidated statement of profit or loss (note 7)	**3.2**	2.8
Fair value loss included in the consolidated statement of comprehensive income and expense	**(0.5)**	(0.3)
Cash - interest received	**(4.6)**	(2.0)
Non-cash - interest receivable	**1.9**	2.0
Movement – nil /favourable	**-**	2.5

20. Financial instruments *(continued)*

***(b) Movement in the fair values of financial assets and financial liabilities** (continued)*

Movement in the fair value of floating to fixed interest rate swaps (continued)

The fair value income of £3.2m (2024: £2.8m income) included in the consolidated statement of profit or loss relates to the floating to fixed interest rate swaps not in a hedge relationship.

This is further broken down as follows:

	2025	2024
	£m	£m
Income from swaps held by Yorkshire Water-£45.0m notional value	**1.2**	0.6
Income from swaps held by Kelda Finance (No.2) Limited - £87.0m notional value	**2.0**	2.2
Income included in the consolidated statement of profit or loss	**3.2**	2.8

The fair value loss of £0.5m (2024: £0.4m loss) included in the consolidated statement of comprehensive income relates to the remaining swaps held by Kelda Finance (No.2) Limited designated in a hedge relationship with a notional value of £65.0m.

Movement in the fair value of energy derivatives

The movement in the fair value of energy derivatives resulted in a gain of £1.2m (2024: £3.5m loss) included in the consolidated statement of comprehensive income and expense.

Total charge to the consolidated statement of comprehensive income and expense was a £0.7m gain (2024: £3.9m loss).

20. Financial instruments *(continued)*

(c) Interest rate risk profile of financial assets and liabilities

The following table provides information about the maturity of the nominal amount and interest payable rates on fixed to floating swaps with a notional amount of £430.0m designated in fair value hedge relationships and floating to fixed swaps with a notional amount of £65.0m designated in cash flow hedge relationships, total notional value £495.0m. The average interest payable rate on fixed to floating interest rate swaps is calculated using forecast SONIA rates plus applicable credit adjustment spreads and margins. The average interest payable rate on floating to fixed swaps is the contracted fixed rate.

		Period of maturity		
	First year	**Second to fifth year**	**After five years**	**Total**
	£m	**£m**	**£m**	**£m**
	31 March 2025	**31 March 2025**	**31 March 2025**	**31 March 2025**
Notional amount (GBP)	-	405.0	90.0	495.0
Average interest rate – Fixed to floating interest rate swaps	-	6%	7%	-
Average interest rate – Floating to fixed interest rate swaps	-	2%	2%	-

(d) Financial risks

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern to provide benefits to stakeholders, returns to shareholders and to maintain an optimal capital structure. In order to do this, the group will consider the amount of debt and assets held and their liquidity.

When monitoring capital risk, the group considers its gearing and the ratio of net debt to Yorkshire Water's Regulatory Capital Value (RCV).

Maximum exposure relating to financial assets is represented by carrying value as at the balance sheet date.

Credit risk

The group has some exposure to credit risk through the holding of receivables on the year end consolidated statement of financial position. The credit risk associated with these balances is higher in the year ended 31 March 2025 with increasing bills impacting on a customer's ability to pay. This is being closely monitored by the group. These can be split into charges against the provision of water and wastewater services and other trade receivables.

For trade receivables, the group measures a provision for expected credit losses at an amount equal to lifetime expected credit losses, estimated by reference to past experience and relevant forward-looking factors. The method of estimation for expected credit losses for trade receivables has been updated in the year to reflect historical performance, management action to address debt and macroeconomic factors. The inputs, assumptions and estimation techniques have been covered in further detail in note 2. Risks associated with receivables include limits on the group's ability to restrict supply. However, this does not apply to all receivables. The credit risk is mitigated by introducing payment plans, providing advice and support to customers where this is viable and where it is considered necessary, using legal procedures to reclaim outstanding debts.

20. Financial instruments *(continued)*

(d) Financial risks *(continued)*

Credit risk *(continued)*

Other risks associated with trade receivables are mitigated by credit checks performed on customers before they are supplied, the cessation of supply to customers who are a high credit risk and payment in advance where this is deemed necessary.

The directors consider that the carrying amount of trade and other receivables approximates to their fair value. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables, estimated by the group's management based on prior experience and their assessment of the current economic environment.

The group's objective is to manage risk by minimising the amount of overdue debt at any time. The group manages the risk by timely review of the ageing profile and employing specific staff to monitor and collect these debts. The risk is measured by monitoring of overdue receivables.

Cash and short-term deposits are invested with a range of counterparties, either AAA rated sterling liquidity funds or banks with a rating of at least long-term A, short-term A1/P1, in accordance with approved investment guidelines.

Minimum credit rating requirements apply to counterparties to the group's derivative transactions. Collateral held in respect of derivative transactions at 31 March 2025 was £nil (2024: £nil).

At 31 March, the maximum exposure to credit risk for the group represented by the carrying amount of each financial asset in the statement of financial position is as follows:

	2025 £m	2024 £m
Cash and short-term deposits (note 12)	**560.2**	170.4
Trade and other receivables (note 11)	**368.1**	341.4
Derivative financial assets	**293.7**	263.6

20. Financial instruments *(continued)*

(d) Financial risks *(continued)*

Liquidity risk

Liquidity risk is the risk that the group will not have the level of liquid funding available to meet its requirements. Maintaining an inadequate amount of liquidity and being unable to access the debt markets when required exposes the group to the risk of being unable to finance its functions and refinance existing indebtedness, whilst maintaining excess liquidity potentially exposes the group to the risk of inefficient funding costs.

The group looks to manage its liquidity by ensuring debt is issued with a range of durations and obtained from a variety of sources. The maturity profile is actively managed by the group's treasury function. Existing bank covenants require the group to maintain a combination of available cash balances and banking facilities sufficient to cover certain requirements for the succeeding 12 months. This is a rolling requirement. Further facilities are not expected to be required within the next year to comply with the covenants.

At 31 March 2025 the group had £1,638.7m of available liquidity (2024: £1,132.4m) which comprised £560.2m in available cash and short-term deposits (2024: £170.4m) and £1,078.5m of undrawn committed borrowing facilities (2024: £962.0m).

The liquidity profile of the group's derivative financial instruments and non-derivative financial liabilities at 31 March 2025 is shown below. This includes interest amounts and principal repayments. Amounts shown are contractual undiscounted values. It is assumed that SONIA and inflation indexation remain constant at the year end position.

20. Financial instruments *(continued)*

(d) Financial risks *(continued)*

Liquidity risk *(continued)*

Year ended 31 March 2025

	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
Fixed rate							
Bank borrowings	9.9	9.9	9.9	56.7	7.4	235.4	329.2
Guaranteed sterling bonds and notes	183.1	477.9	310.9	221.6	498.0	4,184.6	5,876.1
	193.0	487.8	320.8	278.3	505.4	4,420.0	6,205.3
Floating rate							
Inflation linked guaranteed sterling bonds and notes	43.8	43.8	43.8	43.8	43.8	2,560.5	2,779.5
Inflation linked bank borrowings	4.2	4.2	4.3	168.4	3.1	310.5	494.7
Other bank borrowings	138.8	90.5	169.1	98.2	72.5	110.6	679.7
Amounts owed to parent company	288.3	286.0	2,743.1	-	-	-	3,317.4
	475.1	424.5	2,960.3	310.4	119.4	2,981.6	7,271.3
Derivative financial instruments							
Inflation linked swaps	(52.9)	163.2	33.1	81.8	(48.7)	1,181.3	1,357.8
RPI to CPI swaps	7.7	7.7	7.7	7.7	7.7	-	38.5
Fixed to floating interest rate swaps	9.2	9.1	9.1	8.3	5.5	4.1	45.3
Floating to fixed interest rate swaps	(3.4)	(3.4)	(2.8)	(2.1)	(1.3)	(2.0)	(15.0)
	(39.4)	176.6	47.1	95.7	(36.8)	1,183.4	1,426.6
Non-interest bearing financial liabilities							
Trade payables (note 14)	207.0	-	-	-	-	-	207.0
Other payables	361.2	10.1	-	-	-	-	371.3
	568.2	10.1	-	-	-	-	578.3

20. Financial instruments *(continued)*

(d) Financial risks *(continued)*

Liquidity risk *(continued)*

Year ended 31 March 2024

	Within 1 year £m	1-2 years £m	2-3 years £m	3-4 years £m	4-5 years £m	More than 5 years £m	Total £m
Fixed rate							
Bank borrowings	7.0	7.0	7.0	7.0	53.8	177.1	258.9
Guaranteed sterling bonds and notes	144.0	137.9	437.9	270.9	181.6	3,797.5	4,969.8
	151.0	144.9	444.9	277.9	235.4	3,974.6	5,228.7
Floating rate							
Inflation linked guaranteed sterling bonds and notes	38.1	38.1	38.1	38.1	38.1	2,370.1	2,560.6
Inflation linked bank borrowings	4.1	4.1	4.1	4.1	163.4	304.0	483.8
Other bank borrowings	125.7	140.1	60.6	171.1	99.7	188.4	785.6
Amounts owed to parent company	274.4	275.1	272.9	2,462.4	-	-	3,284.8
	442.3	457.4	375.7	2,675.7	301.2	2,862.5	7,114.8
Derivative financial instruments							
Inflation linked swaps	(43.0)	(63.7)	142.0	18.9	64.3	956.2	1,074.7
RPI to CPI swaps	3.3	3.3	3.3	3.3	3.3	3.3	19.8
Fixed to floating interest rate swaps	11.5	13.0	12.9	12.9	11.6	14.7	76.6
Floating to fixed interest rate swaps	(4.8)	(4.8)	(4.8)	(4.0)	(3.2)	(4.7)	(26.3)
	(33.0)	(52.2)	153.4	31.1	76.0	969.5	1,144.8
Non-interest bearing financial liabilities							
Trade payables (note 14)	221.6	-	-	-	-	-	221.6
Other payables	264.5	8.1	-	-	-	-	272.6
	486.1	8.1	-	-	-	-	494.2

20. Financial instruments *(continued)*

(d) Financial risks *(continued)*

Market risk

Market risk is the risk that movements in market conditions, including inflation and interest rates will impact materially on the group financial performance. The group's exposure to market risks primarily results from its financial arrangements and the economic return which it is allowed on the RCV.

The group uses a variety of financial instruments, including derivatives, in order to manage the exposure to these risks.

The group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The group's floating rate borrowings are exposed to a risk of change in interest cash flows due to changes in interest rates. The group uses interest rate swap contracts to hedge these exposures where appropriate.

The sensitivity of the group's interest and borrowings to the above risks can be summarised as follows:

	2025	2024
	£m	£m
Impact on profit before tax		
1% increase in RPI/CPI leading to a decrease in profit	**14.1**	11.6
1% decrease in RPI/CPI leading to an increase in profit	**(14.3)**	(11.6)
1% increase in SONIA leading to a decrease in profit	**36.2**	28.1
1% decrease in SONIA leading to an increase in profit	**(34.9)**	(26.3)

In order to manage its exposure to movements in SONIA, the group has entered into a number of floating rate to inflation linked swaps, floating interest rate to fixed interest rate swaps and also fixed interest rate to floating interest rate swaps.

The nominal value of inflation linked swaps total £1,088.6m (2024: £1,112.1m) and have an average remaining life 25 years.

The nominal value of floating to fixed interest rate swaps is £197.0m (2024: £197.0m) with an average remaining life of five years.

Fixed to floating interest rate swaps with nominal value of £nil (2024: £1,000.0m) matured in the year.

20. Financial instruments *(continued)*

(e) Fair values of financial assets and financial liabilities - Levels

The information set out below provides information about how the group determines fair values of various financial assets and financial liabilities.

Financial instruments are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities or where the directors consider the carrying amounts of the financial instruments to approximate to their fair value;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table gives information about how the fair values of financial assets and financial liabilities that are grouped into Level 2 and Level 3 are determined (in particular the valuation technique(s) and inputs used).

The level for inflation linked swaps is determined through assessing the percentage of the DVA and FVA of the dirty mark to market value of each swap. Valuations that are classed as level 3 for the inflation linked swaps are defined by the proportion of the funding and counter-party adjustment being greater than 10% of the total mark to market valuation of the instrument.

20. Financial instruments *(continued)*

(e) Fair values of financial assets and financial liabilities - Levels *(continued)*

Financial assets/ financial liabilities	Fair value as at 31 March		Fair value hierarchy	Valuation technique(s) and key input(s)
	2025	**Restated[1] 2024**		
1. Interest rate swaps, inflation linked swaps, energy derivatives, bonds and notes	Assets: £268.7m Liabilities: £2,396.4m	Assets: £241.5m Liabilities: £2,436.0m[1]	Level 2	Swaps: Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting year) and contract interest rates, discounted at a rate that reflects own or counterparty credit risk. Bonds: Quoted prices for identical instruments that can be accessed at the measurement date. Notes: Discounted expected future cash flows using prevailing rates including credit spreads observable in publicly traded instruments.
2. Bank borrowings[2]	Liabilities: £768.5m[2]	Liabilities: £844.8m[2]	Level 2	Fair values of bank borrowings are calculated by discounting expected future cash flows using prevailing rates including credit spreads observable in publicly traded instruments.

[1] Restated to include level 2 bonds and notes held at amortised cost not in fair value hedge relationships.
[2] *Floating rate sterling notes* and B*ank loans and overdrafts* have been re-presented in the year and are both included in B*ank borrowings* above.

20. Financial instruments *(continued)*

(e) Fair values of financial assets and financial liabilities - Levels *(continued)*

Financial assets/ financial liabilities	Fair value as at 31 March		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value 31 March
	2025	2024				
3. Inflation linked swaps, RPI to CPI swaps, bank borrowings	Assets: £25.0m Liabilities: £1,165.4m	Assets: £15.0m Liabilities: £1,269.0m	Level 3	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting year) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.	Inflation linked swaps: • Counterparty cost of funding assumption • Assumptions relating to long-term credit beyond observable curves • Recovery rates RPI to CPI swaps, bank borrowings: • Level 3 instrument valuations relate to CPI linked transactions where inputs are from a less liquid market.	Unobservable inputs contribute on average 24.5% of the fair value of level 3 inflation linked swaps, equaling a total of £220.8m of the fair value included in the Financial Statements. A ten basis point shift in each of these assumptions in either direction gives rise to an aggregate impact on the valuation of £60.4m higher or lower. A ten basis point shift in the RPI to CPI wedge would give rise to a £4.2m higher or lower valuation of bank borrowings and RPI to CPI swaps.

20. Financial instruments *(continued)*

(e) Fair values of financial assets and financial liabilities - Levels *(continued)*

The following table provides the fair values of the group's financial assets and liabilities at 31 March 2025.

	2025 Level 1 £m	**2025 Level 2 £m**	**2025 Level 3 £m**	2024 Level 1 £m	2024 Level 2 £m	2024 Level 3 £m
Primary financial instruments financing the group's operations						
Financial assets held at amortised cost						
Loans to associates/joint ventures	**-**	**0.6**	**-**	-	2.5	-
Financial assets measured at Fair Value Through Profit and Loss						
Inflation linked swaps	**-**	**254.1**	**24.2**	-	225.8	15.0
Fixed to floating interest rate swaps	**-**	**-**	**-**	-	8.1	-
Floating to fixed interest rate swaps	**-**	**6.9**	**-**	-	7.6	-
RPI to CPI swaps	**-**	**-**	**0.8**	-	-	-
Financial liabilities measured at Fair Value Through Profit and Loss or in fair value hedge relationships						
Inflation linked swaps	**-**	**(545.0)**	**(926.3)**	-	(694.0)	(1,037.1)
RPI to CPI swaps	**-**	**-**	**(2.1)**	-	-	(2.2)
Fixed to floating interest rate swaps	**-**	**(33.5)**	**-**	-	(30.6)	-
Floating to fixed interest rate swaps	**-**	**(3.5)**	**-**	-	(4.9)	-
Fixed rate sterling bonds and notes	**-**	**(396.4)**	**-**	-	(396.3)	-
Financial assets measured at Fair Value Through Other Comprehensive Income						
Energy derivative	**-**	**2.4**	**-**	-	1.1	-
Floating to fixed interest rate swaps	**-**	**5.3**	**-**	-	6.0	-
Financial liabilities measured at Fair Value Through Other Comprehensive Income						
Energy derivative	**-**	**(0.1)**	**-**	-	-	-
Financial liabilities held at amortised cost not in fair value hedge relationships						
Fixed rate sterling bonds and notes	**(3,050.5)**	**(329.6)**	**-**	(2,489.1)	(204.8)	-
Inflation linked sterling bonds	**(417.8)**	**(1,088.3)**	**-**	(493.7)	(1,105.4)	-
Bank borrowings[1]	**-**	**(768.5)**	**(237.0)**	(80.0)	(844.8)	(229.7)
Amounts owed to parent company	**-**	**(2,851.6)**	**-**	-	(2,649.0)	-

[1] *Floating rate sterling notes* and B*ank loans and overdrafts* have been re-presented in the year and are both included in B*ank borrowings* above.

20. Financial instruments *(continued)*

(e) Fair values of financial assets and financial liabilities – Levels *(continued)*

Reconciliation of financial liabilities measured at fair value using level 3 inputs:

	Inflation linked swaps £m	RPI to CPI swaps £m	Total £m
Balance at 1 April 2024	1,022.1	2.2	1,024.3
Total unrealised gains or losses:			
- included within finance costs in the profit or loss	(149.5)	(0.9)	(150.4)
Transfers from level 3 to level 2	2.9	-	2.9
Transfers from level 2 to level 3	26.6	-	26.6
Balance at 31 March 2025	**902.1**	**1.3**	**903.4**

The above table has been re-presented to split out the inflation linked swaps and RPI to CPI swaps.

The following table shows the sensitivity of fair values to reasonably possible alternative assumptions as at 31 March 2025:

	Reflected in profit or loss	
	Favourable change £m	Unfavourable change £m
Level 3 inflation linked swap assumptions:		
Ten basis point change in counter-party funding assumption	17.2	(17.2)
Ten basis point change to credit curve assumption	9.3	(9.3)
10% change in recovery rate assumption	33.9	(33.9)

The fair value of net derivative financial liabilities of £1,216.8m (2024: £1,505.2m) would be £16.0m (2024: £19.6m) higher or lower were the counter-party funding assumption to change by ten basis points. The fair value of net derivative financial liabilities of £1,216.8m (2024: £1,505.2m) would be £10.6m (2024: £12.8m) higher or lower were the credit curve assumption to change by ten basis points. The fair value of net derivative financial liabilities of £1,216.8m (2024: £1,505.2m) would be £38.3m (2024: £41.5m) higher or lower were the recovery rate assumption to change by ten per cent. Disclosing an appropriate sensitivity of fair values could vary based on what is reasonably possible in the market but a change of ten basis points demonstrates the level of movement in the assumption which results in a material difference, this can be scaled up and is consistent with sensitivities reported previously.

20. Financial instruments *(continued)*

(f) Hedges

The group's policy is to hedge interest rate risk within approved Board policies and guidelines.

Interest rate swaps are used to manage interest rate exposure under a hedging strategy that requires that Yorkshire Water and its subsidiaries to maintain at all times at least 85% of its total outstanding debt as inflation linked obligations or fixed rate obligations either directly or via hedges. At the financial year end the proportion was 115.8% (2024: 93.6%). At the Kelda finance group level, the proportion was 111.8% (2024: 90.7%) at the financial year end.

Fair value hedges

Fixed to floating interest rate swaps

Fair value hedge accounting has only been applied to fixed to floating interest rate swaps with a notional value of £430.0m (2024: £430.0m). These swaps are recognised as a fair value liability of £33.5m (2024: £30.6m liability).

Cash flow hedges

Floating to fixed interest rate swaps

The group holds seven floating to fixed interest rate swaps with a notional value of £197.0m (2024: £197.0m) of which swaps with a notional value of £65.0m (2024: £65.0m) have been designated in a cash flow hedge relationship with a £65.0m bank loan drawn in April 2022 and repayable on 9 April 2029. Hedge accounting has been applied.

Energy derivatives

The group holds energy derivatives, which help hedge the group's exposure to energy price risk by exchanging the average day ahead baseload index price of electricity in a given month for a fixed price. These are designated as cash flow hedges and hedge accounting has been applied.

Foreign currency risk management

The group has no significant exposure to exchange rate fluctuations. Any exposures that arise are managed within approved policy parameters utilising cross-currency interest rate swaps.

20. Financial instruments *(continued)*

(f) Hedges *(continued)*

Impact of hedging instruments designated in hedging relationships

The impact of hedging instruments designated in hedging relationships as of 31 March 2025 on the group's consolidated statement of financial position is as follows:

	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument		Line item in the consolidated statement of financial position where the hedging instrument is reported	Fair value changes of the hedging instrument used as a basis to calculate hedge effectiveness
		Assets	Liabilities		
	£m	£m	£m		£m
Fair value hedges	**31 March 2025**	**31 March 2025**	**31 March 2025**	**31 March 2025**	**31 March 2025**
Fixed to floating interest rate swaps	**430.0**	**-**	**(33.5)**	**Derivative financial liabilities**	**(2.9)**
Cash flow hedges					
Floating to fixed interest rate swaps	**65.0**	**5.3**	**-**	**Derivative financial assets**	**(0.7)**
		Assets	**Liabilities**		
	MWh	**£m**	**£m**		
Cash flow hedges	**31 March 2025**	**31 March 2025**	**31 March 2025**	**31 March 2025**	
Energy derivatives	**330,214**	**2.4**		**Derivative financial assets**	
Energy derivatives	**10,483**		**(0.1)**	**Derivative financial liabilities**	

20. Financial instruments *(continued)*

(f) Hedges *(continued)*

	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument		Line item in the consolidated statement of financial position where the hedging instrument is reported	Fair value changes of the hedging instrument used as a basis to calculate hedge effectiveness
		Assets	Liabilities		
	£m	£m	£m		£m
Fair value hedges	31 March 2024	31 March 2024	31 March 2024	31 March 2024	31 March 2024
Fixed to floating interest rate swaps	430.0	-	(30.6)	Derivative financial liabilities	0.7
Cross-currency interest rate swaps (USD)	-	-	-	Derivative financial assets	(30.0)
Cross-currency interest rate swaps (AUD)	-	-	-	Derivative financial liabilities	6.7
Cash flow hedges					
Floating to fixed interest rate swaps	65.0	6.0	-	Derivative financial assets	0.2

		Assets	Liabilities	
	MWh	£m	£m	
Cash flow hedges	31 March 2024	31 March 2024	31 March 2024	31 March 2024
Energy derivatives	92,232	1.1	-	Derivative financial assets

20. Financial instruments *(continued)*

(f) Hedges *(continued)*

Impact of hedged items designated in hedging relationships

The impact of hedged items designated in hedging relationships as of 31 March 2025, on the group's consolidated statement of financial position is as follows:

	Carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments included in the carrying amount of the hedged item		From the accumulated amount of fair value hedge adjustments: part related to hedged items that ceased to be adjusted for hedging gains and losses		Line item in the consolidated statement of financial position where the hedged item is reported	Fair value changes of the hedged item used as a basis to calculate hedge ineffectiveness	Cash flow hedge reserve
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities			
	£m	£m	£m	£m	£m	£m	£m	£m	£m
	2025	2025	2025	2025	2025	2025	2025	2025	2025
Fair value hedges									
Interest rate risk hedged by fixed to floating swaps	-	(396.4)	31.8	-	-	-	Borrowings	0.2	-
Cash flow hedges									
Interest rate risk hedged by floating to fixed swaps	-	5.3	-	-	-	-	Borrowings	0.7	(0.5)

20. Financial instruments *(continued)*

(f) Hedges *(continued)*

	Carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments included in the carrying amount of the hedged item		From the accumulated amount of fair value hedge adjustments: part related to hedged items that ceased to be adjusted for hedging gains and losses		Line item in the consolidated statement of financial position where the hedged item is reported	Fair value changes of the hedged item used as a basis to calculate hedge ineffectiveness	Cash flow hedge reserve
	£m	£m	£m	£m	£m	£m	£m	£m	£m
	2024	2024	2024	2024	2024	2024	2024	2024	2024
Fair value hedges									
Interest rate risk on fixed to floating swaps	-	(396.2)	31.6	-	-	-	Borrowings	7.7	-
Interest rate risk on cross-currency interest rate swaps (USD)	-	-	-	-	-	-	Borrowings	(29.8)	-
Interest rate risk on cross-currency interest rate swaps (AUD)	-	-	-	-	-	-	Borrowings	6.7	-
Cash flow hedges									
Interest rate risk hedged by floating to fixed swaps	-	(6.0)	-	-	-	-	Borrowings	(0.2)	(0.4)

20. Financial instruments *(continued)*

(g) Offsetting financial assets and liabilities

No financial assets have been offset against financial liabilities. Balances which are subject to master netting agreements or similar are as follows:

	Amounts available to be offset (but not offset on the consolidated statement of financial position)			
	Gross and net amounts reported on the consolidated statement of financial position	**Master netting agreements**	**Financial collateral**	**Net balance**
	2025	**2025**	**2025**	**2025**
	£m	**£m**	**£m**	**£m**
Derivative financial assets	**293.7**	**(141.6)**	**-**	**152.1**
Derivative financial liabilities	**(1,510.5)**	**141.6**	**-**	**(1,368.9)**

	Amounts available to be offset (but not offset on the consolidated statement of financial position)			
	Gross and net amounts reported on the consolidated statement of financial position	Master netting agreements	Financial collateral	Net balance
	2024	2024	2024	2024
	£m	£m	£m	£m
Derivative financial assets	263.6	(189.8)	-	73.8
Derivative financial liabilities	(1,768.8)	189.8	-	(1,579.0)

20. Financial instruments *(continued)*

(h) Deferred 'day one' (losses)/gains

Several transactions have been completed to restructure inflation linked swaps in prior years. These have resulted in a 'day one' (loss)/gain adjustments, which are deferred and amortised over the remaining life of the swaps. The following table details the movements and amounts of deferred 'day one' (losses)/gains included in the fair value of the swaps held at the balance sheet date:

	2025	2024
	£m	£m
Balance at 1 April	**(63.0)**	(65.8)
Deferred 'day one' amounts realised during the year	**2.8**	2.8
Balance at 31 March	**(60.2)**	(63.0)

21. Additional cash flow information

Analysis of movement in net debt from continuing operations and net liabilities from financing activities:

	At 31 March 2023	Restated[1] Non-cash movements	Restated[1] Cash movements	At 31 March 2024	**Non-cash movements**	**Cash movements**	**At 31 March 2025**
	£m	£m	£m	£m	**£m**	**£m**	**£m**
Cash and cash equivalents	310.6	-	(140.2)	170.4	**-**	**389.8**	**560.2**
Debt due within one year	(562.9)	169.9	313.0	(80.0)	**(94.6)**	**80.0**	**(94.6)**
Debt due after one year	(7,782.3)	1,680.4[1]	(50.4)[1]	(6,152.3)	**6.8**	**(814.4)**	**(6,959.9)**
Net debt	(8,034.6)	1,850.3[1]	122.4[1]	(6,061.9)	**(87.8)**	**(344.6)**	**(6,494.3)**
Interest payable	(104.6)	(201.5)	188.3	(117.8)	**(259.8)**	**238.3**	**(139.3)**
Accrued interest received on bond taps	-	-	(2.1)	(2.1)	**2.1**	**(8.3)**	**(8.3)**
Derivative financial instruments[2]	(1,666.6)	21.8	139.6	(1,505.2)	**285.4**	**3.0**	**(1,216.8)**
Lease liabilities	(54.2)	3.6	2.0	(48.6)	**(3.9)**	**6.9**	**(45.6)**
Total net liabilities from financing activities	(9,860.0)	(1,674.2)	450.2	(7,735.6)	**(64.0)**	**(104.7)**	**(7,904.3)**

[1] Restated, please see note 2 for further information.
[2] Cash movements on derivative financial instruments include swaps accretion and termination payments and net interest on derivatives

Net debt does not include financial liabilities which are not considered to be part of the group's borrowings.

The non-cash movements in net debt during the year are broken down as follows:

	2025	2024
	£m	£m
Transfer of loan notes to Kelda Holdings Limited	**-**	1,954.8
Amortisation of issue costs	**(10.6)**	(9.8)
Index accretion	**(79.4)**	(110.3)
Fair value movements of debt associated with fixed to floating interest rate swaps	**0.2**	(7.7)
Fair value movements of debt associated with cross-currency interest rate swaps	**-**	23.1
Other non-material, non-cash movements	**2.0**	0.2
Total non-cash movements in net debt	**(87.8)**	1,850.3

21. Additional cash flow information *(continued)*

Cash used as noted in the group (including discontinued operations) cash flow statement can be derived as follows:

	2025 £m	2024 £m
Total profit/(loss) for the year	**6.9**	(204.2)
Tax charge	**54.9**	3.8
Profit/(loss) before taxation	**61.8**	(200.4)
Share of associates' and joint ventures' profit after tax	**(0.3)**	(2.1)
Finance income before fair value movements	**(16.9)**	(13.4)
Finance costs before fair value movements (note 7)	**583.4**	570.8
Net fair value movements (non-cash) on finance income and costs	**(311.6)**	(73.7)
Depreciation (note 10)	**318.5**	329.6
Amortisation of intangible assets (note 9)	**50.4**	43.5
Impairment of property, plant and equipment (note 10)	**-**	9.2
Profit on disposal of property, plant, and equipment	**(0.8)**	(0.8)
Amortisation of capital grants	**(14.4)**	(14.1)
Profit on disposal of joint venture	**(7.7)**	-
Increase in inventories	**(0.2)**	(0.7)
Increase in trade and other receivables	**(58.2)**	(51.8)
Increase in trade and other payables	**13.6**	17.3
Pension contributions/(credits) in excess of operating costs	**4.2**	(47.1)
Movements in provisions	**10.8**	13.1
Capital contributions	**27.8**	27.0
Cash generated from operating activities	**660.4**	606.4

22. Commitments

	2025 £m	2024 £m
Capital and infrastructure renewals expenditure commitments for contracts placed at 31 March were:	**832.7**	701.5

The long-term investment programme for the company, which identified substantial future capital expenditure commitments in the period from 2025 to 2030, was agreed as part of the AMP8 Price Review process. £20.8m (2024: £28.6m) of the above capital commitments relate to intangibles (software).

On 20 March 2025 Ofwat published their Final Decision Notice concluding their investigation into wastewater management. Yorkshire Water has agreed undertakings in the form of a redress package to be invested in Yorkshire, together with plans to be put in place to secure compliance with the Urban Waste Water Treatment Regulations 1994, Section 94 Water Industry Act 1991 and Condition P.12 of the Yorkshire Water Licence.

22. Commitments *(continued)*

£36.6m of this package forms part of our capital and infrastructure renewals expenditure commitments over the five-year regulatory asset management period from 2026 to 2030. This is to be invested between 2025-30 to reduce discharges from overflows. These overflows will be sites that were due to receive investment in the 2030-35 period, Yorkshire Water will be accelerating these improvements.

A further £3.4m is as a contribution to the Great Yorkshire Rivers Partnership, a partnership between Yorkshire Water, Environment Agency (EA) and The Rivers Trust. This will be used to improve water quality and biodiversity in the area and reconnect up to 500km of rivers.

23. Related parties

Group companies have extended finance to several associates and joint ventures on a proportionate basis with other principal stakeholders.

	Loans to/(from) related parties 2025 £m	Loans to/(from) related parties 2024 £m
Joint ventures and associates		
Whinmoor Limited	**(0.2)**	(0.2)
Templegate Developments Limited	**-**	1.8
Sir Robert Ogden Evans Property Partnership Limited	**0.8**	0.8
	0.6	2.4

Total interest received on loans to associated undertakings and joint ventures was £nil (2024: £nil). All outstanding balances are unsecured. Sales and purchases between related parties are made at normal market prices. During the year ended 31 March 2025 the group made £nil provisions for doubtful debts relating to amounts owed by related parties (2024: £1,000) and released provisions totalling £nil (2024: £nil). During the year dividends received from related parties totalled £0.2m (2024: £1.3m).

There were no other material transactions between the group and its associated undertakings and joint ventures during the year.

Compensation of key management personnel (including directors):

	2025 £m	2024 £m
Short-term benefits	**2.0**	2.3

24. Subsidiary companies

The company, as an individual entity, has the following investments in subsidiaries, associated and jointly controlled entities whose registered office, unless otherwise stated, is Western House, Halifax Road, Bradford, West Yorkshire BD6 2SZ:

	Country of incorporation	Country of tax residence	Class of shares in issue	Proportion of class of share held
UK Regulated Water Services				
Yorkshire Water Services Limited	England & Wales	UK	Ordinary	100%
UK Service Operations				
Kelda Transport Management Limited	England & Wales	UK	Ordinary	100%
Loop Customer Management Limited	England & Wales	UK	Ordinary	100%
Three Sixty Water Services Limited	England & Wales	UK	Ordinary	100%
Three Sixty Water Limited	England & Wales	UK	Ordinary	100%
Three Sixty Water Services (Yorkshire) Limited	England & Wales	UK	Ordinary	100%
Property Development				
Keyland Developments Limited	England & Wales	UK	Ordinary	100%
Other companies				
Kelda Group Limited	England & Wales	UK	Ordinary	100%
Kelda Finance (No.1) Limited	England & Wales	UK	Ordinary	100%
Kelda Finance (No.2) Limited	England & Wales	UK	Ordinary	100%
Kelda Finance (No.3) Plc	England & Wales	UK	Ordinary	100%
Yorkshire Water Services Holdings Limited	England & Wales	UK	Ordinary	100%
Yorkshire Water Finance Plc	England & Wales	UK	Ordinary	100%
Yorkshire Water Services Finance Limited	England & Wales	UK	Ordinary	100%
Kelda Water Services Limited	England & Wales	UK	Ordinary	100%
Saltaire Water Limited	England & Wales	UK	Ordinary	100%
Yorkshire Water Limited	England & Wales	UK	Ordinary	100%
Kelda Water Services (Projects) Limited	England & Wales	UK	Ordinary	100%
Safe-Move Limited	England & Wales	UK	Ordinary	100%
Kelda Limited	England & Wales	UK	Ordinary	100%
Kelda Group Pension Trustees Limited	England & Wales	UK	Ordinary	100%
Ridings Limited[3]	Isle of Man	Isle of Man	Ordinary	0%
Glandwr Cyfyngedig	England & Wales	UK	Ordinary	100%
Templegate Developments Limited[1 2 JV]	England & Wales	UK	Ordinary	0%
Tingley Limited[1 JV]	England & Wales	UK	Ordinary	50%
Whinmoor Limited[1 JV]	England & Wales	UK	Ordinary	50%
White Laith Developments Limited[1 A]	England & Wales	UK	Ordinary	37.5%
The Sir Robert Ogden Partnership Limited[1 A]	England & Wales	UK	Ordinary	25%

[1] Registered office address: Millshaw Ring Road, Beeston, Leeds, West Yorkshire LS11 8EG
[2] Templegate Developments Limited was sold during the year
[3] Ridings Limited was dissolved during the year
[JV] Joint Venture
[A] Associate – All associates are property development and investment companies.

25. Ultimate controlling party

The company's immediate and ultimate parent company is Kelda Holdings Limited, a company registered in Jersey and resident for tax in the UK. In the opinion of the directors there is no ultimate controlling party.

Kelda Holdings Limited is the only other company, and largest company, to consolidate the company's Financial Statements and copies of the group Financial Statements may be obtained from the Company Secretary, Kelda Eurobond Co Limited, Western House, Halifax Road, Bradford BD6 2SZ.

26. Contingent liabilities

Claims relating to property searches

The 31 March 2024 Annual Report and Financial Statements contained a contingent liability with respect to claims by personal search companies (PSCs). The claims related to historical search fees that PSCs paid to Yorkshire Water for water and drainage reports obtained when buying a house. The PSCs claimed that the historical fees should not have been paid to Yorkshire Water as the information should have been provided for no fee under the Environmental Information Regulations 2004. The case was dismissed against Yorkshire Water on 3 October 2024. The contingent liability has therefore now been closed and disclosures will be excluded from future reports.

EA investigations into the operating of wastewater assets

Both the EA and Ofwat commenced investigations in November 2021, against all water and sewerage companies in relation to the operations of their wastewater treatment assets.

On 20 March 2025 Ofwat published their decision concluding their investigation. Yorkshire Water has agreed undertakings in the form of a £40m redress package to be invested in Yorkshire. These amounts largely take the form of commitments to reduce spills from overflows over the next five-year period.

Yorkshire Water and all water and sewerage companies are subject to information requests from the EA in respect of their investigations. The EA released an update on its website on 3 February 2025 confirming that they were now seeking to take witness statements from external parties such as "campaign and pressure groups, academics, citizen science projects, leisure water users and businesses, NGOs around the water sector and people who have reported a relevant incident to the Environment Agency." The update further goes on to state that the EA "continue to gather evidence on the environmental effects of the discharges. After gathering witness statements, we will examine victim impacts of the discharges before inviting the water companies to interview." The EA have not provided any timescales for completion of these next steps. No further updates are available on this investigation at the time of writing. EA fines are dealt with via sentencing guidelines and therefore are not possible to estimate at the date of publication.

Collective proceedings order (class action)

The proposed class representative (PCR) is seeking to bring a claim on behalf of the class comprising of customers of Yorkshire Water (on an opt out basis) and proceedings have been lodged on this basis. The claim is based on an alleged abuse of a dominant position in relation to the prices customers were charged for sewerage services. Similar claims were commenced against five other water and sewage companies (WaSCs). Following the Certification hearing in September 2024, the judgment was received on 7 March 2025 confirming that the matter had not been certified. The PCR made an application for permission to appeal this decision to the Competition Appeals Tribunal. Permission to appeal was rejected and the WaSCs were each awarded a proportion of their legal costs to date. The PCR then made an application to the Court of Appeal for permission to appeal. This permission has been granted and a date for the substantive appeal hearing is now awaited. The Claimant alleges that the damages are likely to be substantial, being at least £150.7m and as high as £390.9m including interest. Yorkshire Water has indicated that it will be defending the claim in full.

27. Post balance sheet events

In June 2025, Kelda Finance (No.2) Limited early repaid secured bank loans with nominal values of £50.0m and £45.0m that were due to mature in December 2025.

Kelda Eurobond Co Limited
Company balance sheet
as at 31 March 2025

	Notes	2025 £m	2024 £m
Fixed assets			
Investments	*3*	**3,172.2**	3,172.2
Debtors	*4*	**30.2**	30.2
		3,202.4	3,202.4
Current assets			
Cash and cash equivalents		**0.5**	76.6
Debtors	*4*	**48.7**	31.5
		49.2	108.1
Creditors: amounts falling due within one year	*5*	**(139.0)**	(917.8)
Net current liabilities		**(89.8)**	(809.7)
Total assets less current liabilities		**3,112.6**	2,392.7
Creditors: amounts falling due after more than one year	*5*	**(3,149.0)**	(2,199.3)
Net (liabilities)/assets		**(36.4)**	193.4
Capital and reserves			
Ordinary shares	*7*	**7.5**	7.5
Share premium	*7*	**1,077.9**	1,077.9
Profit and loss account		**(1,121.8)**	(892.0)
Total shareholders' funds		**(36.4)**	193.4

The loss generated by the parent company for the year ended 31 March 2025 was £229.8m (2024: £254.0m loss). Advantage has been taken of the exemption available under section 408 of the Companies Act not to present a profit and loss account for the company alone.

The Financial Statements on pages 205 to 211 were approved by a duly authorised committee of the Board of directors on 10 July 2025 and signed on its behalf by:

Nicola Shaw CBE
Chief Executive Officer
Kelda Eurobond Co Limited
Registered in England no. 06433768

Kelda Eurobond Co Limited
Company statement of changes in equity
for the year ended 31 March 2025

	Ordinary shares £m	Share Premium £m	Profit and loss account £m	Total shareholders' funds £m
At 1 April 2023	7.5	742.5	(638.0)	112.0
Loss for the year	-	-	(254.0)	(254.0)
Share issue (note 7)	-	335.4	-	335.4
At 1 April 2024	7.5	1,077.9	(892.0)	193.4
Loss for the year	-	-	(229.8)	(229.8)
At 31 March 2025	**7.5**	**1,077.9**	**(1,121.8)**	**(36.4)**

1. Company accounting policies

Basis of accounting

The company's Financial Statements are prepared on a going concern basis, under the historical cost convention in compliance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and, except where otherwise stated in the notes to the Financial Statements, with the Companies Act 2006.

In preparing these Financial Statements, the company applies the recognition, measurement, and disclosure requirements of International Financial Reporting Standards. but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The consolidated Financial Statements of the group headed by the company have been prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Western House, Halifax Road, Bradford, West Yorkshire, BD6 2SZ.

In these Financial Statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- comparative period reconciliation for share capital;
- disclosures in respect of transactions with wholly owned subsidiaries;
- the impact of certain requirements of IAS 1, IAS 36, IFRS 7 and IFRS 13;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of the compensation of Key Management Personnel.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements.

The accounting policies shown below have been applied consistently throughout the current and prior year.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income or expense, in which case it is recognised directly in equity or other comprehensive income or expense.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1. Company accounting policies *(continued)*

Investments in subsidiaries

Investments in subsidiaries are stated at cost and reviewed for impairment if there are indications that the carrying value may not be recoverable.

Financial instruments

Debtors

Intercompany and other debtors are recognised at transaction price. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Creditors

Creditors are not interest bearing and are stated at their nominal value.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in investment income and finance costs.

Dividends receivable

Dividends receivable are recognised when the shareholders' right to receive the revenue is established

Redemption of preference shares

Instances of redemption of preference shares are recognised on approval from shareholders.

Interest receivable

Interest receivable is recognised as the interest accrues using the effective interest method.

Share capital

Ordinary shares are classified as equity.

Audit exemption - Parent company guarantee

For the year ended 31 March 2025 the following subsidiaries of the company were entitled to exemption from audit under s479A of the Companies Act 2006 relating to subsidiary companies.

Subsidiary Name Companies House Registration Number

Three Sixty Water Services Limited 05612103

Three Sixty Water Limited 09919590

Saltaire Water Limited 06433802

Kelda Transport Management Limited 10487343

Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

1. Company accounting policies *(continued)*

Critical accounting judgements and key sources of estimation uncertainty *(continued)*

The directors consider the key sources of estimation uncertainty in the Financial Statements to be the recoverability of investments in subsidiaries and intercompany loan debtors. The company holds £3,172.2m (2024: £3,172.2m) investment in subsidiaries and £48.7m (2024: £31.2m) amounts owed by subsidiary undertakings as at 31 March 2025.

The recoverability of the investment in subsidiaries and intercompany loan debtors have been measured based on the Enterprise Value of the Yorkshire Water of £9,800m at 31 March 2025 (2024: £9,400m) and net debt of group companies, resulting in net equity value attributable to Kelda Group Limited less than the total value of the investments and intercompany loan debtor. As this exceeds the carrying value there is no impairment of carrying at 31 March 2025 (2024: £nil).

2. Loss attributable to the parent company

The result of the parent company was a loss of £229.8m (2024: £254.0m loss). Advantage has been taken of the exemption available under section 408 of the Companies Act 2006 not to present a profit and loss account for the company alone.

3. Investments

	£m
As at 1 April 2024 and 31 March 2025	**3,172.2**

A list of the subsidiaries of the company can be found in note 24 to the consolidated accounts. The directors believe that the carrying value of the investments is supported by their underlying net assets.

4. Debtors

	2025	2024
	£'000	£'000
Amounts falling due within one year:		
Amounts owed by group undertakings	**48.7**	31.2
Prepayments and accrued income	**-**	0.3
	48.7	31.5
Amounts falling due after more than one year:		
Deferred tax asset	**30.2**	30.2

Included in the amounts owed by group undertakings is £48.7m (2024: £31.2m) owed by group companies for group relief.

5. Creditors

	2025	2024
	£m	£m
Amounts falling due within one year:		
Amounts owed to group undertakings	**139.0**	917.8

	2025	2024
	£m	£m
Amounts falling due after more than one year:		
Amounts owed to group undertakings	**3,149.0**	2,199.3

Amounts owed to group undertakings include loans due to Kelda Holdings Limited of £2,467.4m (2024: £2,199.3m). The loan bears interest at a Sterling Overnight Index Average (SONIA) based rate plus 7% margin with a repayment date of 8 February 2028.

Amounts owed to group undertakings also includes loans due to Yorkshire Water Services Limited totalling £437.2m (2024: £537.2m).

A repayment profile is in place for the repayment of the loans from Yorkshire Water Services Limited. In October 2022 it was agreed with Ofwat that these loans would be repaid by April 2027 defined on the following basis: at least £300.0m by the end of June 2023; at least £200.0m by the end of March 2025; the balance of the loans by the end of March 2027. In June 2023 £400.0m was paid reducing the outstanding loan balances to £537.2m. In May 2024, a further £100.0m was paid reducing the outstanding loan balances to £437.2m.

The remainder of the amounts owed to group undertakings include £145.0m (2024: £176.1m) due to Kelda Finance No.2 Limited, £99.4m (2024: £92.4m) due to Kelda Group Limited as well as intercompany loan interest payable and intercompany trading balances.

All the amounts owed to group undertakings are unsecured and repayable on demand. Interest is at SONIA based rates plus margins on various tranches. The margins applied to the tranches are between 2% and 4.29%, interest on the Kelda Holdings Limited loan has been disclosed separately above.

6. Other information

The company had no employees throughout the year ended 31 March 2025 (2024: none).

Details of directors' emoluments are set out in the directors and employees note of the group accounts. No elements related specifically to their work in the company.

Disclosure notes relating to share capital, financial instruments and auditor remuneration are included within the Financial Statements of the group.

7. Equity and other reserves

	Allotted, called up and fully paid As at 31 March 2024 and 2025		
	Number	1p shares	Total
		£	£
Ordinary shares	**750,000,101**	**7,500,001**	**7,500,001**
Share premium			**1,077,948,523**
Total			**1,085,448,524**

Share issue: During the prior year, Kelda Eurobond Co Limited issued one share to Kelda Holdings Limited. Consideration for the share issue was £335.4m and the share premium therefore increased by £335.4m.

8. Ultimate controlling party

The company's immediate and ultimate parent company is Kelda Holdings Limited, a company registered in Jersey and resident for tax in the UK. In the opinion of the directors there is no ultimate controlling party.

Kelda Holdings Limited is the only other company, and the largest company, to consolidate the company's Financial Statements and copies of the group's Financial Statements may be obtained from the Company Secretary, Kelda Eurobond Co Limited, Western House, Halifax Road, Bradford, West Yorkshire, BD6 2SZ. The smallest company to consolidate the company's Financial Statements is Kelda Eurobond Co Limited as included earlier in this report.

Independent auditor's report to the members of Kelda Eurobond Co Limited

Report on the audit of the financial statements

Opinion

In our opinion:
- the financial statements of Kelda Eurobond Co Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2025 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework" ; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
- the consolidated statement of profit or loss;
- the consolidated statement of comprehensive income;
- the consolidated statement of financial position;
- the parent company balance sheet;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows;
- the related notes 1 to 27 of the consolidated financial statements; and
- the related notes 1 to 8 of the parent company accounts

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom adopted international accounting standards and IFRS Accounting Standards as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, 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's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

Independent auditor's report to the members of Kelda Eurobond Co Limited

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:
- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included license conditions imposed by The Water Services Regulation Authority (Ofwat).

We discussed among the audit engagement team including significant component audit teams and relevant internal specialists such as tax, valuations, IT, financial instruments and climate change and sustainability specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:
- Valuation and allocation of manual adjustments to household bad debt provisioning. We have enquired with management to understand management's policy, obtained an understanding of relevant controls, recalculated the bad debt provision based on management's policy and challenged the key assumptions within the model. We have done this through evaluating potential contradictory evidence and economic data, performing sensitivity analysis and benchmarking to other water companies with a similar provisioning approach.
- Capitalisation of labour and overheads and classification of repairs and maintenance in the income statement. We have enquired with management to understand management's capitalisation policy, obtained an understanding of relevant controls and tested a sample of in year costs to supporting documentation to determine if they have been appropriately expensed or capitalised. We have also performed analysis over the level of postings made in the year to consider anomalous trends in recognition.

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

In addition to the above, our procedures to respond to the risks identified included the following:
- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

Independent auditor's report to the members of Kelda Eurobond Co Limited

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; 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.

We have nothing to report in respect of these matters.

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.

C. D. Robertson

Christopher Robertson (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
10 July 2025