Kelda Eurobond Co Limited

Annual Report and Financial Statements

Registered number 06433768

For the year ended 31 March 2024

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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 to more than five million people and around 140,000 businesses. Every day, Yorkshire Water supplies around 1.3 billion litres of drinking water to homes and businesses in Yorkshire. Through the efficient operation of its extensive wastewater network and treatment facilities, it also ensures that the region's domestic and industrial waste is returned safely to the environment.

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

Business strategy: Yorkshire Water's vision is to create "A thriving Yorkshire: right for our customers, and right for the environment." This means that we will provide safe, clean, great tasting water and return wastewater safely to the environment. In providing these services we will make sure we deliver good value for money, which will mean bills that everyone can afford. We need take care of our precious natural resources and successfully manage the impact of society's waste on the amazing natural environment of Yorkshire.

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 land owners. In addition, Keyland manages three 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 legal and statutory documentation 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 as follows:

- Environmental matters in *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.

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.

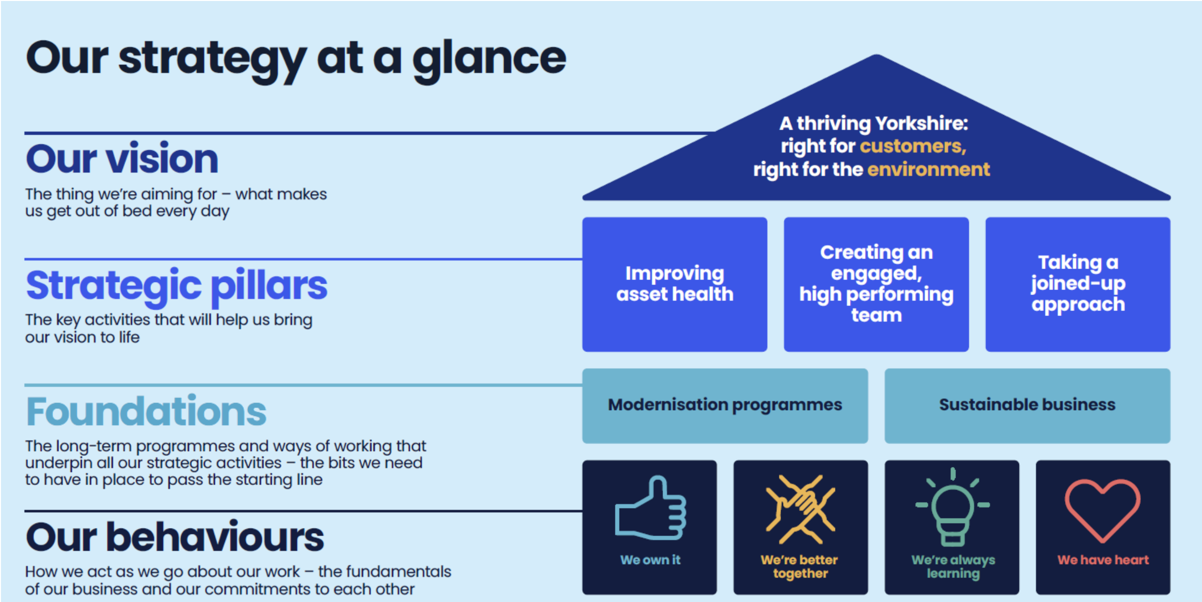
All of our Key Performance Indicators (KPIs), including non-financial indicators, are reported within the *Strategic Report*.

Our Financial Performance section includes, where appropriate, reference, and additional explanations of, amounts included in the entity's annual accounts.

Our corporate strategy

Last year we set out our new ten-year strategy, with a vision for a thriving Yorkshire. As the water and sewerage company for Yorkshire, the services we provide have a significant impact on our county and we want to help ensure Yorkshire thrives, both now and into the future, with services that are right for our customers and right for the environment. Our strategy remains unchanged and has influenced our thinking and decision-making throughout the year.

Within this report, where we discuss our plans for the future, these are subject to approval by Ofwat, with their Draft Determination expected on 11 July 2024 and Final Determination before the end of 2024.



Our vision

At Yorkshire Water we are passionate about what we do, and our role, both individually and collectively as a water and sewerage company, has a huge impact on the communities we serve.

As an anchor institution in the region, we want to invest in infrastructure, create jobs, and support skills development and education, as well as working with other organisations to deliver better outcomes across the region. There are many challenges facing the water industry right now, including the environmental and reputational impact of wastewater discharges, the effects of climate variability, such as hotter, drier summers and the continuing risk of flooding, as well as the recent impact of soaring energy prices and delays in supply chains, which are affecting our business and our customers. Nevertheless, we will keep striving to be a company that delivers great value for Yorkshire, is an inspiring and motivating place to work, and leaves its mark on the environment for the better.

'Right for our 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. We have been open in our future plans about bills needing to increase to enable us to invest more in our infrastructure, and 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 are listening to our customers and communities so that we can make sure their experience of Yorkshire Water is positive. 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 protecting our precious water resources and minimising the impact of wastewater on the amazing natural environment of Yorkshire. We are extremely focused on reducing pollution and sewer flooding and improving our river and coastal water quality. This requires a long-term approach, we have clear plans in place and are making significant investments to reduce wastewater discharges, including £180m of additional investment up to 31 March 2025, which we announced in August 2022, and a further £1.4bn of investment in storm overflows for the five-year period to 2030, which is proposed in our PR24 Business Plan.

We will also seek 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 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 T*he Environment.*

Achieving our vision

Strategic pillars

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

Improving Asset Health

Asset health is critical to delivering the service that our customers expect and to protect 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 creating 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 health can be found in the sections on *Clean Water* and *Wastewater*.

Creating an engaged, high-performing team

Our people are extremely important to us and represent the heart of Yorkshire Water. We want Yorkshire Water 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 performance improvement. More information on how we are creating an engaged, high-performing team can be found in the section on O*ur People.*

Taking a joined-up approach

In order to deliver what is right for Yorkshire, we need to work together, both within 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 in the section on *our Communities*.

Our Foundations

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

Modernisation

Our modernisation programme underpins all three pillars of our strategy and is our primary way of accelerating the change that Yorkshire Water needs to meet our performance ambitions, maximising innovation and security. The programme covers people, technology, processes and data and is designed to help us improve in each of these areas, providing the right support to enable us to achieve our strategy.

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.

Delivering our strategy

During the year there has been a lot of work across the business to embed our strategy and to be clear on our specific plans to improve our performance. We have:

- Invested significantly in improving asset health, including delivering a new sewer in Ilkley, and starting many other capital projects which will complete in 2025;
- Continued the roll-out of our 'Talking Performance' approach to performance management, helping colleagues to feel more engaged and to better understand how they can contribute to our organisation;
- Embedded a Performance Excellence programme across the business, with all areas reporting regularly against key performance metrics in their area which has encouraged team conversations, clarity on objectives and a consistent approach across the business as part of our work towards a more joined-up approach internally;
- Continued to deliver improved flood resilience in the Hull and South Yorkshire regions, through our Living with Water and Connected by Water partnerships, demonstrating our joined-up approach externally. More information on this can be found in the section on *Our Communities*;
- Rolled-out a model office pilot to test new ways of working in both our wastewater and clean water operations, seeking to improve our customer response, focusing on driving a 'right first time' approach through new processes and procedures and greater cross-team collaboration based around a geographical area;
- Reviewed our net-zero policy and changed our approach to focus more on reducing absolute emissions and investing in energy self-generation and efficiency, rather than purchasing a form of offset; and
- Focused on Yorkshire Water's financial resilience in the year, including recalling an intercompany loan from another group company and receiving over £400m in repayments during the year and closing our defined benefit pension scheme to future accrual.

How our strategy has shaped our PR24 Business Plan

Our strategic objectives are very much reflected in our PR24 Business Plan (our plan for the period from 2025 to 2030), which was submitted to Ofwat in October 2023.

Our PR24 Business Plan focuses on six key areas which are part of our vision for 'a thriving Yorkshire, right for our customers and right for the environment':

In drawing up the Plan we engaged with 54,000 customers and stakeholders to obtain their input on the things that matter to them. This has been a major focus for us in the year under review. To move towards a thriving Yorkshire, the Plan focuses on:

- Getting the basics right;
- Accelerating our performance improvements; and
- Future-proofing our activities.

The Plan includes investing £134m on smart metering, £364m on improving our asset health, £580m on improving coastal and inland bathing waters, and £95m to continue providing high quality drinking water. These are all things that we know are right for our customers, as well as enabling us to meet our legal and regulatory obligations.

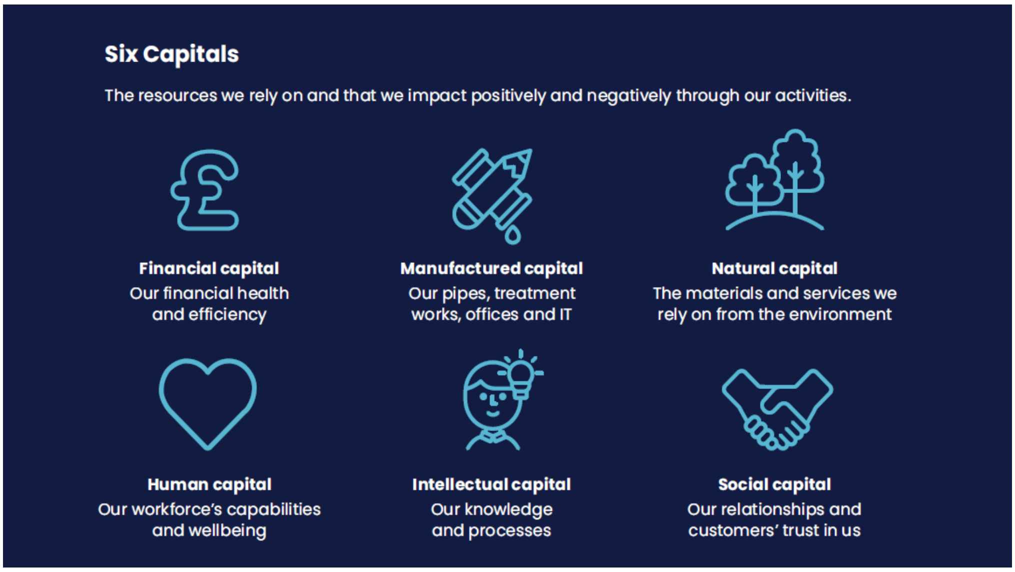
The Plan also includes an investment of £959m to reduce our impact on the environment and to meet new environmental obligations. This includes our commitment to reduce carbon emissions as we aim for a net-zero future by 2050. Further information on our PR24 Business Plan and planned investment can be found on our website at yorkshirewater.com/about-us/our-business-plan.

As part of our Plan, we have submitted our Long-Term Delivery Strategy which sets out our vision and ambition for the next 25 years, the outcomes we aim to achieve, and the actions and investments we intend to undertake to deliver them. It brings together strategic planning framework requirements, statutory obligations, existing commitments, and the priorities of our customers to outline the investment activities that are required to meet our ambitions. This is all aligned to our corporate strategy.

Using the Six Capitals approach in our strategic decision-making

As part of doing what is right for our 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, including the development of our PR24 Business Plan.

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



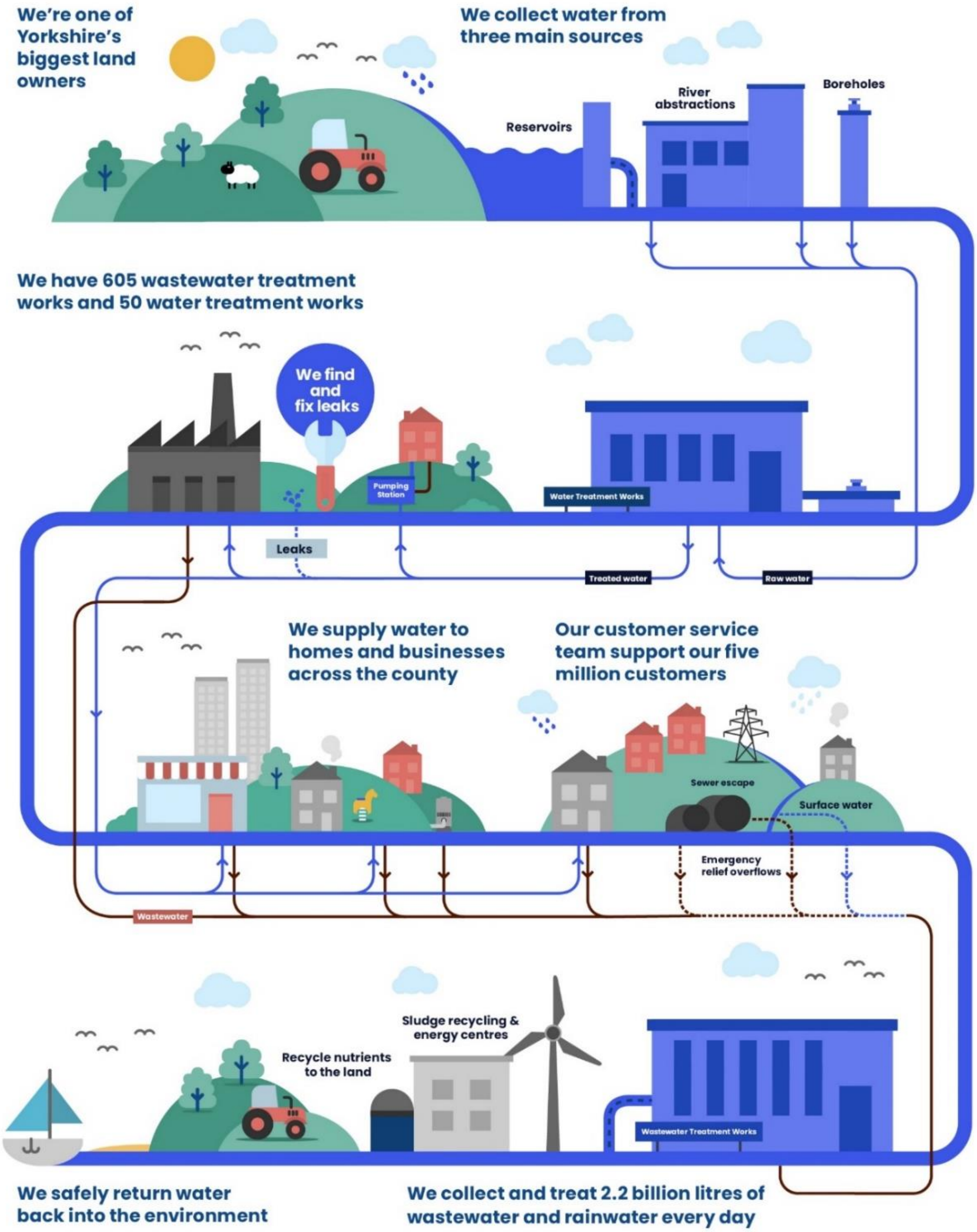
Using the Six Capitals Framework helps us to make more informed decisions with a fuller understanding of their wider environmental and social implications, both now and in the future. It also provides a means by which to measure progress towards our strategic objectives.

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 we updated during the year to align with our strategy. The Framework enables us to raise debt to support the financing or refinancing of assets and expenditures of a sustainable nature. This means we can only spend the money raised on assets or expenditures 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 keldagroup.com/investors/sustainable-finance/sustainable-finance-framework.

This is how we work

An illustration of our business model is shown below



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 current five-year Price Review period runs until 31 March 2025. In October 2023 all companies in the sector submitted their business plans for the period from 1 April 2025 to 31 March 2030. Feedback on these plans is expected on 11 July 2024. The business plans submitted in October 2023 are called the 'PR24' Plans, which stands for 'Price Review 2024'.

Climate change

Climate change is impacting on everyone across the world, and the water sector is no exception. Severe weather events have significantly impacted the sector in recent years with significant drought conditions for much of England in 2022 and extremely heavy rainfall in many areas through 2023. In the period from September 2023 to January 2024, there were ten named storms compared to just one in the previous year. In the calendar year 2023, we saw a 42% increase in the number of days with heavy rain in Yorkshire and nine of the 12 months in 2023 had rainfall above the average for the month. 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 energy costs and interest rates have risen considerably during the year. 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 *Serving our 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.

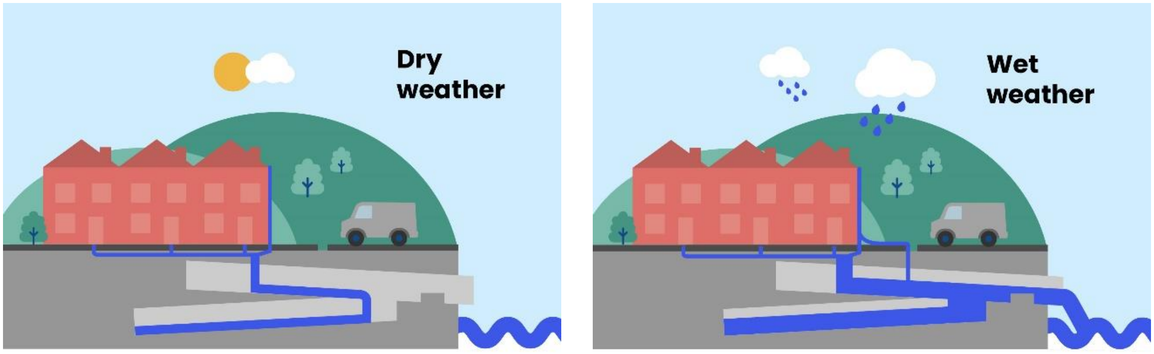
Over the last ten years Yorkshire Water Services Limited has paid dividends of £846.1m, however only £45.4m of this has been paid to the shareholders of Kelda Holdings Limited, which is Kelda Eurobond Co Limited's parent company. The rest were retained within the group and used to repay interest and capital on loans held at a group level. Over the same period, the company has invested £4.5bn in new fixed assets. 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. In the last year they have contributed a further £500m into the group, £400m of which was paid to Yorkshire Water as repayment of an existing intercompany loan.

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 the *Directors' Remuneration Report* of the *Yorkshire Water Annual Report and Financial Statements (ARFS)* which can be found at yorkshirewater.com/about-us/reports.

Wastewater discharges into rivers and coastal waters are a matter of great public focus and we entirely understand why. We agree with the urgent need to eradicate 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 pictures below illustrate how these storm overflows operate in dry and wet weather:



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 *Wastewater* section.

Drinking water quality has also been in the news over recent weeks. 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 six nations in the world with the maximum score possible in the 2022 Environmental Performance Index produced by Yale University, showing that our drinking water quality is amongst the best in the world.

What makes Yorkshire different

Yorkshire is a beautiful county, 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.

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 some of the fastest improvements in this area in the industry, but are still falling short against the targets set for us by Ofwat, which is something we are continuing to focus on.

Annual performance review

Each year Ofwat publishes an annual review of water company performance. This year seven companies in the sector, including Yorkshire Water, were deemed to be 'lagging', while none of the companies were ranked as 'leading'. We know that to be classified as 'lagging' is not good enough and we are working hard to improve our performance.

We have seen significant improvement in almost all of our measures since 2020, including in leakage reduction, unplanned outages, pollution incidents and in treatment works compliance, where we are one of the top performers in the sector. We know, however, that we are failing to meet our own expectations and those of Ofwat in some other areas, including in customer satisfaction, sewer flooding, as noted above, and, until recently, in relation to our Priority Services Register.

We have a plan in place to improve our performance and have shared this with Ofwat and continue to meet with them each quarter to provide them with an update on our progress. We have already made considerable improvements in some areas, for example by 31 March 2024 we had met our performance commitment target for our Priority Services Register. More information on this can be found in our *Serving our Customers* section.

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.

Clean Water

All our key measures in this report are measured on a financial year basis, unless otherwise stated.

We collect, treat and distribute over a billion litres of water every day, to over five million customers. We collect our water in 115 reservoirs and abstract it from over 20 groundwater and river sources. It is treated to the highest standards at 50 water treatments works, distributed through 35,000 km of pipe work, and stored at optimum conditions to meet demand 365 days a year, whenever our customers want it.

The key areas of focus for clean water in our business are:

- To protect our water resources now and into the future through reducing leaks and minimising consumption;
- Keeping continuous water supplies to our customers by minimising supply interruptions; and
- Ensuring that our water is of the highest quality.

Water resources

The flipside of the challenges facing our wastewater network from the significant rainfall events in the year has been that our water stocks have recovered very well from the drought of 2022, and we ended this year with very healthy stocks of over 95%. Water demand has been lower than the previous year and per capita consumption – the amount of water used per consumer – is 127 litres per day, which is 3.5% less than the previous three-year average.

We have a Water Resource Management Plan (WRMP) which has been submitted to Ofwat and is publicly available. This sets out our plan to manage our water resources for the long-term, including a number of supply and demand options that will be implemented over the next ten years. Further details on our WRMP can be found in the section on *The Environment*.

Reducing leakage

Reducing leakage is hugely important to our stakeholders and to us and we have committed to reduce leakage by 15% over the five years from 2020. We have a Leakage Reduction Plan (LRP) that focusses on improving leakage performance through a combination of initiatives that include;

- the utilisation of new technology to improve the performance of our assets;
- increasing our understanding of water use; and
- improving how quickly and efficiently we find and fix leaks on our water network.

This year we exceeded our 11.7% leakage reduction target from the 2020 baseline position. This has been achieved despite a challenging year in the 2022 calendar year where very dry weather conditions caused our network to fail at an increased rate, resulting in the leakage reduction we achieved in 2023 not being as much as we had hoped. This year, we increased investment in our LRP, enabling the delivery of a significant reduction in reported leakages. This included investing in our technology, working in partnership with a number of other companies, to better understand water use and customer consumption, as well as background and trunk main leakage, to allow us to more accurately identify and report water losses, enabling the easier locating of leaks on our network.

During the year we have replaced 12,000 of the 30,000 acoustic loggers on our water distribution network to improve our data and connectivity and more accurately pinpoint leakage locations.

As part of our ongoing mission to reduce leakage, we will be replacing a further 7,000 of the original devices with the new generation loggers over the next year. This will help us to continue to maximise efficiency by allowing us to send our field teams to more precise locations for underground leaks and help to further reduce leakage.

Key measure: Leakage reduction (percentage reduction of leakage from 2020 baseline):
- **2023: 9.5% against a target of >9.4%**
- **2024: 12.7% against a target of >11.7%**
- **2025: Target set at 15%**

We also changed our repairs and maintenance arrangement with our service partners, transitioning to a single partner arrangement. This has enabled us to drive greater efficiency in the contract and to reduce the time it takes to fix leaks detected across the Yorkshire region.

Smart pressure control valves

We have continued to improve performance on our water network by deploying over 1,000 'Smart' Pressure Control Valves in the last 12 months to maintain pressure at the right level. These devices reduce the rate of any new leaks and breaks which may occur on our pipes by keeping the pressure the same across the network, day and night. They also reduce the volume of water lost due to leaks and help ensure our customers receive a continuous water supply while supporting us in having a calm and optimised network.

We can view the performance and settings of these valves centrally, control them remotely if intervention is required, and identify when maintenance is required before any impact to service or performance occurs.

Continuous water supplies

We have continued to reduce unplanned outages at our water treatment works, maintaining our ambition to be top quartile in the industry by March 2030. Performance of 2.95% means we had a temporary loss of maximum water production capacity for 2.95% of the year.

Key measure: Unplanned outages – the percentage temporary loss of maximum water production capacity in the year:
- **2023: 3.26% against a target of <3.73%**
- **2024: 2.95% against a target of 3.03%**
- **2025: Target set at 2.34%**

Water supply interruptions and mains repairs

As well as all the positives, we faced a number of challenges in the year, including water supply interruptions being higher than target at over ten minutes, with a similar level of performance to that seen in the previous two years.

Key measure: Water supply interruptions (Mins: secs):
- **2023: 9:27 against a target of <5:45**
- **2024: 10:35 against a target of <5:23**
- **2025: Target set at 5:00**

Whilst overall rates of network failure and mains repairs have been lower this year, the number of critical trunk main failures has been higher than we planned, and the failure of these assets has at times resulted in an interruption to supply for some customers.

Key measure: Mains repairs (per 1,000 km):
- **2023: 219.3 against a target of <181.0**
- **2024: 175.3 against a target of 178.4**
- **2025: Target set at 175.8**

Interruption events have proved challenging to manage and resolve. In light of these challenges, we have reviewed our performance and made some changes to our incident response capability; increasing focus and support to our incident management teams to help in earlier identification and first response; to ensure we provide adequate support, resources and the equipment required to reduce the impact of interruption events, and then to resolve them as quickly as possible.

The changes to our repairs and maintenance contract and transition to a single partner will also enable us to strengthen incident response, by helping speed up repair, and to improve deployment of tankers to provide alternative water supplies and restore supplies until repairs are completed.

Water quality

Our teams carry out large-scale maintenance activity on our water network; flushing our water mains to remove the non-harmful iron and manganese deposits that naturally accumulate over time that can cause water to look discoloured. Through the implementation of an expanded trunk main cleaning programme, and improvements made to our risk based flushing programme on our smaller pipes, we positively reduced the number of customers contacting us about water quality this year to less than nine per 10,000 customers and achieved our target for the year.

Key measure: Drinking water contacts per 10,000 properties:
- **2023: 10.2 against a target of <9.7**
- **2024: 8.9 again a target of <8.9**
- **2025: Target set at 8.1**

During the year we faced some issues with our water quality Compliance Risk Index (CRI) measure. This was mainly due to the risk at one water treatment works where we are currently installing new chemical dosing and refurbishing treatment processes to ensure water of the highest quality continues to be supplied. Excluding this one site risk, our 2024 performance would have been an improvement on the 2023 score at 4.01. Whilst this has been a performance challenge, there was no risk to customers or consumers and actions are ongoing to upgrade and maintain parts of the process and prevent any future risk. We have installed new instrumentation to give early indication of potential process or treatment issues at this site.

Key measure: CRI score:
- **2023: 4.61 against a target of 0.00**
- **2024: 9.27 against a target 0.00**
- **2025: Target set at 0.00**

How we are looking to improve

As noted previously, we submitted our PR24 Business Plan in October 2023 and this focuses on asset health improvements at our water treatment works, a large water mains renewal programme and a smart metering roll-out across Yorkshire by 2030. These are all things that will deliver significant customer improvements over the coming years.

Further information on the specific measures that we track in relation to our operational performance can be found in our Annual Performance Report, which is available on our website at yorkshirewater.com/about-us/reports.

Wastewater

We collected approximately 2.2 billion litres of wastewater every day this year from our customers. This is an increase of 27% from the previous year. This included industrial effluents from business customers across the region, and via our combined sewers we collected huge amounts of surface water from roads, pavements, driveways and roofs.

The large increase this year is attributable to the additional rainfall entering the system in a very wet year. This has had a significant impact on a number of our performance measures compared to last year.

The wastewater collected is pumped and treated through nearly 53,000km of sewer pipes, 2,608 sewage pumping stations and 605 wastewater treatment works, before being returned safely to the environment.

The key measures for our wastewater service focus on pollution incidents, wastewater treatment discharge permit compliance and sewer flooding incidents, both internal and external to a customer property. These measures target reducing the potential for environmental and societal harm.

Pollution performance

We saw a decline in our overall pollution performance in the 2023 calendar year, with 137 incidents compared to 117 in 2022 and five of these incidents classified as 'serious pollution' compared to three incidents classified as 'serious pollution' in 2022. This 17% increase in incidents is reflective of the high levels of rainfall putting additional strain on our assets.

We understand that this is not acceptable and are making significant investments into reducing pollution using new technology, as well as investing to improve the resilience of those assets most at risk of failure. This includes new pumps with technology that allows them to detect and remove a blockage prior to causing a failure, as well as monitors on rising mains to detect changes outside of their normal operating parameters which can then trigger a proactive intervention.

Key measure: Pollution incidents per 10,000 km sewer:
- **2023: 22.39 against a target of <23.00**
- **2024: 26.21 against a target of 22.40**
- **2025: Target set at 19.50**

Wastewater treatment discharge permit compliance

We maintained our excellent performance in this area this year, and we are pleased to report that we only had one wastewater treatment works that was classified as 'failing' this year. This equalled our performance in the prior year and means we are a leading performer in the industry in this area.

Key measure: Discharge permit compliance:
- **2023: 99.7% against a target of 100%**
- **2024: 99.7% against a target of 100%**
- **2025: Target set at 100%**

Permitted overflow discharges

We have 2,190 permitted overflow locations. The number of permitted discharges increased by 44% in the 2023 calendar year (77,913 discharges) compared to the 2022 calendar year (54,206 discharges), driven by a combination of significantly increased rainfall in the second half of the year and an increase in the availability of our overflow monitoring systems. With rainfall and availability factored in, we have reduced permitted discharges by 13% compared to the 2021 baseline.

To complement our £180m investment, a new River Health team of technical specialists has been put in place to focus on further reducing discharges. Further information on this team can be found later in this section.

Sewer flooding performance

Internal and external sewer flooding performance has been challenging in 2024, with significant weather events and above average rainfall impacting our performance. Yorkshire is particularly susceptible to sewer flooding as a result of the higher proportion of properties with cellars in our region, and the higher proportion of combined sewers in our network, which means they collect surface water as well as wastewater and are therefore impacted more significantly by rainfall.

Our internal sewer flooding performance has fallen short of the stretching regulatory target for 2024 but external sewer flooding has remained ahead of the regulatory target for this year.

Key measure: External sewer flooding incidents:
- **2023: 5,375 against a target of <6,431**
- **2024: 5,873 against a target of <6,053**
- **2025: Target of <5,674**

Key measure: Internal sewer flooding incidents per 10,000 km sewer:
- **2023: 2.67 against a target of <1.58**
- **2024: 2.78 against a target of <1.44**
- **2025: Target set at <1.34**

How we are looking to improve

Improving our performance in relation to wastewater discharges is a key priority for our business and we are investing in multiple ways to seek to make improvements quickly.

We have driven our customer sewer alarm deployment to support our flooding performance, with 40,000 devices installed. These devices are monitored by our central control teams and work is raised for operational interventions before an impact arises.

As previously announced, we are partway through a £180m investment programme, which will reduce the number of permitted discharges by 20%, from 80,346 in 2021 baseline to 64,277 by the end of March 2025. The scope of this ambitious reduction plan delivers surface water separation, additional storage and treatment capacity, and water butt solutions across 130 of the highest spilling sites in the region.

Our modernisation programme also continues to transform our planning, scheduling and response processes within our sewer network department. With metrics showing improvements to productivity, response and resolution times, this new model office approach, supported by new and improved systems, is being rolled out across the region throughout the 2024 calendar year.

We are also making investments into new technology such as the Vapar system, which uses CCTV pipe inspection software to help prioritise work in the sewer network, and the V-scout system which digitally surveys the condition of manholes to help build a clearer picture of asset health.

Long-term we have a Drainage and Wastewater Management Plan (DWMP) which outlines how we will provide a robust drainage and wastewater network for our customers and the environment from a present-day baseline through to 2050 and beyond. This accounts for future changes in climate, population growth and the need to protect the environment, and sets out how we will mitigate the pressures of these changes on the safe operation of our wastewater network and treatment works.

Providing real-time data to our communities

We understand the importance of providing near real-time data to the communities we serve, so that people can understand where and when our assets may be discharging to watercourses. Along with the rest of the industry, we introduced a map to our website in April 2024 which shows all of our storm overflows and when they are operating, using near real-time data. This has been accessed over 18,000 times between its launch and the end of May 2024. Our real-time data map can be viewed on at yorkshirewater.com/environment/storm-overflows/live-map.

Keeping our rivers healthy

During the year we established a River Health team within our Wastewater function, to help drive our vision for 'a thriving Yorkshire, right for our 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.

As a team we are focused on optimising our operational performance, using innovation wherever we can and collaborating with other stakeholders to improve the health of our rivers in Yorkshire as quickly as possible.

Within our team we have four main areas of focus; driving down pollution incidents, complying with environmental permits, reporting on wastewater discharges, and engaging with external stakeholders on new approaches to improving water quality.

Our team includes a number of engineers who proactively interrogate the network to identify potential issues before they occur and then intervene to prevent the issue.

River Aire catchment partnership working

Water quality depends not just on the watercourse itself but on the catchment around the watercourse. The catchment is the area of land through which water drains into a body of water, such as through rain, melting snow or ice. Our River Health team has adopted catchment-thinking in its approach to improving river water quality. We have engaged in a partnership approach within the River Aire catchment, working with the Aire Rivers Trust, Environment Agency, Friends of Bradford Beck and Yorkshire Wildlife Trust. We are currently working through a proposal to co-ordinate two citizen science pilots. These are:

1. River Rangers
A co-ordinated effort, supporting passionate members of the public to patrol watercourses within the Aire catchment, with training and new processes being designed to enable quick reporting of concerns, and a feedback loop to provide assurance that any concerns are being addressed.

2. Adopting an outfall / picture posts
Exploring the potential for local 'adoption' or 'sponsorship' of outfalls. This would mean the installation of 'picture posts' where members of the public could take a photo from a designated picture post in a consistent manner. This information would feed back to Yorkshire Water and could then be used to inform when maintenance visits are arranged.

Serving our Customers

Customer Experience

Doing what is right for customers and developers helps us deliver on Ofwat's incentive metrics, the Customer Measure of Experience (C-MeX) and Developer Measure of Experience (D-MeX). These compare all water companies on the quality of recent service issues as well as general perceptions of the experience provided.

Our annual C-MeX ranking has improved this year, placing us ninth out of 17 companies, including water only companies, across the sector, compared to 11th in 2023. This means we have overachieved on our target which was originally set to tenth place and reduced our regulatory penalty from around £500,000 in 2023 to zero this year. We want to go further than this and progress into the top half of the table in 2025.

Key measure: C-MeX Ranking:

- 2023: 11th position against a target of 9th

- 2024: 9th position against a target of 10th

- 2025: Target set at 8th

Our D-MeX quantitative performance, which measures a range of key service metrics, is 99.91% year-to-date. This has moved us up ten places compared to last year, to rank sixth out of 17 for quantitative performance. However, our overall D-MeX rating is 15th due to our qualitative scores. The qualitative score is based on a survey which measures the satisfaction of developer services customers who have transacted with us. Whilst our qualitative score for 2024 has improved, we are still lower quartile. This has been linked mainly to our legacy systems which, as part of our improvement plan, will be replaced from 2025 and our target is to get to ninth place in the next financial year.

Key measure: D-MeX Ranking:

- 2023: 17th position against a target of 14th

- 2024: 15th position against a target of 9th

- 2025: Target set at 9th

As part of our plans for our developer customers, we have delivered improved service by moving more of our application processes online. Through customer forums and focus groups we have defined and prioritised the areas most important to our customers. Dedicated case management has been well received with updates provided to customers at every stage of the journey. A jeopardy management framework, new dashboards, quality audits, and process re-engineering have all contributed to improved service levels and customer experience.

Licence and accreditation

We support Ofwat's move to introduce a new customer-focused licence condition, placing binding expectations on water companies to deliver high standards of customer service and support the full diversity of customer needs. We are already doing lots of work that ensures we are meeting the criteria in the new licence condition, and have plans in place to further enhance our customers' experience. This includes introducing a new Customer Incident Management team who provide dedicated support and response during larger issues.

To provide external validation that our services are meeting the needs of our customers, we have attained ISO 22458 accreditation this year which is an international standard on Inclusive Customer Service.

The ISO 22458 standard requires us to demonstrate that our systems, processes, and organisational commitment is right for all our customers regardless of their needs.

Improving our customer experience

Our modernisation programme is a key foundation of our ten-year strategy to create 'a thriving Yorkshire, right for our customers and right for the environment'. There are a number of capabilities that have been delivered through modernisation this year to improve the customer experience which include:

- **Improvements to our customer experience of billing** - a new customer relationship management system has been implemented to increase our digital communication to customers, as well as improving the customer experience by enhancing our data capture and response to customers. Next year will see the continuation of that programme launching to our non-household customer teams and then further to our operational teams to really help improve our visibility and resolution of customer issues.

- **Improvements to our digital offering** – this year we have introduced a range of new digital self-service options. This includes the roll-out of our 'report a problem' online tool for eight of our biggest service issues such as sewer flooding and burst pipes. We have also delivered 'track my job' capabilities so that customers can access real-time updates on the status of their issue, and we have developed two-way messaging to proactively update customers. These tools have made it easier for customers to report a fault and track the progress of the fault resolution. Where these new digital offerings are available, up to 30% of customers are now using them, reducing the volume of inbound calls to our call centre.

- **Improvements to our customer experience of operations** – this year we introduced a model office approach by creating a live test and learn environment focusing on the Bradford region. The purpose of the model office was to drive improvements to the customer response for wastewater issues. Focusing on driving a 'right first time' approach, creating new processes and operating procedures in a live environment, and creating cross team collaboration around a geographical area. Through this approach, we have delivered improved customer experience, with faster response times to issues and fewer follow-on calls chasing for updates. This model office concept also launched into water networks in the Leeds area this year focusing on customer-led issues on the network to drive a similar focus on 'right first time'. Next year will see the learning and processes from this model office rolling out across the wider business to implement the learning and new ways of working.

Collecting bill payments

The cost-of-living pressure has been hardest felt by customers already struggling to pay their bills. The level of arrears on these accounts continues to increase and the value of our high-risk debt continues to rise. We have not seen any deterioration in new customers falling into arrears.

We have increased collection activity to slow the growing bad debt risk by supporting customers that need our help, but also targeting enforcement activities for those who can afford but choose not to pay their bill. Customers in financial vulnerability have benefited from our growing support schemes which have provided help to nearly 125,000 customers this year with more than £35m worth of bill support. This is funded through both customer cross-subsidy, supported by customers through willingness to pay research, and company funding – including the additional £15m provided by the company this Asset Management Period (AMP) to help customers in response to the cost-of-living crisis. Bill support provided has reduced debt by increasing social tariff sign ups and water meter installations, resulting in lower bills as well as debt relief. We have worked in partnership to identify these customers through Credit Reference Agency checks, Department of Work & Pensions data shares and increased doorstep visits.

Priority Services Register (PSR)

Our customers are diverse and have a wide range of needs when accessing our services. As a result, we have a range of additional priority services available to those customers who may need extra help, for example during an incident or when engaging with us. These services include but are not limited to; translation services; bottled water delivery; bills in alternative formats; and passwords for additional security when our colleagues attend customer homes.

In 2024, we have seen a growth in the number of customers registering with our PSR, with more than 100,000 new additions during the year. This has been a specific business priority to ensure customers are aware of and accessing the support they may need, and we are delighted to have achieved our regulatory target for the first time this year.

Key measure: Percentage of customers on our PSR:

2023: 4.8% against a target of 7.5%

2024: >9.2% against a target of 9.1%

2025: Target set at 10.0%.

Registering a customer on the PSR allows us to protect them in potential times of need. For example, understanding when customers have a medical need for water and registering their circumstances enables us to prioritise an alternative water supply should it be needed if a water outage occurs.

To ensure our customers receive the priority services they need, we have communicated with over 100,000 customers during the year to reassure them of the services they are registered for and inviting them to confirm or update their needs as required.

Online billing

We have been working hard to improve our digital self-service offering, particularly in relation to household billing.

This year saw a refresh of the online account which reached the milestone of 500,000 active users during the year.

All the main reasons for customers contacting us can now be completed within their online account. We have seen over 600,000 payment transactions being made and 125,000 house moves being registered through the online service. This means that over 50% of all our customer interactions are now completed through self-service channels.

The creation of an online account includes a default to paperless billing. This has seen the number of customers with paperless bills grow from 70,000 to over 400,000 during the past 12 months. With each customer receiving two bills per year on average this has reduced our bill production and postage costs by £350,000 at a time when such costs would otherwise be increasing significantly.

Learnings from incidents

In October 2023, we experienced a significant customer-impacting incident in Goole, involving the sudden burst of a water tower inlet, necessitating the removal of the tower from service. Unfortunately, this triggered further bursts and low water pressure within the region. Our incident management process was triggered immediately to coordinate a response and resolution to the incident.

The effects of the incident were felt by around 12,700 properties, either with low pressure or periods of no water at peak times. We established a clear communication strategy from the outset with regular updates to customers and stakeholders. Despite this, the incident took longer than we anticipated to resolve and there have been learnings from the incident that will be incorporated into our approach should future issues occur. We have now settled all the compensation claims from this incident, and built an action plan based on improvements identified, with several changes already implemented to improve the clarity and speed of our communications, which will ensure the right messages are reaching customers as quickly as possible.

Learning from our past performance

During the year we took one of our customer complaints and asked an independent reviewer to look into this in more detail, to help us understand where things had gone wrong and what we could do better in the future.

The output from the review was shared with both the Yorkshire Water Executive team and our Board and all the recommendations made were agreed and have been or are being implemented. The learnings were also shared with all colleagues in the organisation through a Customer Stand Down, where all colleagues paused their usual work to spend time watching a video presentation which set out a high-level overview of what had happened, and the changes required to ensure it could not happen again.

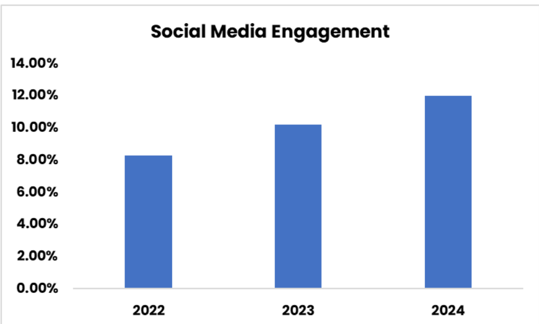
It is disappointing when any of our customers have cause to complain, but we are committed to learning from such complaints and doing what we can to ensure that we improve the service we provide going forward.

Social media engagement

We truly value the role of social media in enhancing our customers' experience. We believe it is more than just providing great customer service; it is about building relationships and fostering meaningful engagement with our customers, who have no choice in selecting their water and sewerage service provider. Our approach to social media is centred around sharing stories that build trust in our brand, boost awareness, and create an engaging community.

Since 2019, we've seen a significant increase in customer engagement across our various social media channels on Facebook, X (formerly Twitter), LinkedIn, Instagram, and TikTok.

The chart below shows our average social media engagement rate (a metric that tracks how actively involved our audience is with our content) across our five channels over the past three years. We are delighted to see a year on year increase in the percentage of audience actively engaging with our content via our social media channels.



In the year under review, there have been over eight million opportunities for our stories to be seen by customers with an average positive sentiment score of 71%.

With over 12,000 followers, we are proud to lead the way in digital engagement within the water and sewerage industry in the UK.

Blockages campaign

In September 2023, we launched our new 'Bin it. Don't Block it' campaign across Yorkshire to make customers aware of their part in helping Yorkshire's pipes flow freely. Our blockages campaign is designed to be both engaging and educational.

We have focused our communication on 'hotspot' areas where the highest number of repeat blockages are happening.

The launch of our campaign has resulted in over 96.5 million opportunities for customers to see or hear it, using a multi-media communications plan.

To get a full picture of the impact of the campaign, we are conducting research with customers who have been exposed to the campaign to measure how behaviours and attitudes have changed over the duration of the campaign.

Keeping our services affordable

Households across the country have continued to be impacted by the cost-of-living crisis throughout the year. Our customers have faced growing bill affordability issues as household expenses have risen.

As part of our ten-year strategy for a thriving Yorkshire, right for our customers, we aim to make water bills more affordable for everyone. To help with this, we have a range of support available for those customers who may need extra bill support. This includes:

- Tailored payment arrangements;
- Bill reduction schemes;
- Income maximisation referrals for low-income customers across our region;
- Debt support schemes, signposting debt help; and
- A Community Trust hardship fund should customers find themselves falling into arrears.

Throughout the year we have continued to offer meaningful financial support to those customers with the greatest financial vulnerability. Assistance continues to come from our established help schemes which have assisted a significantly greater number of customers this financial year.

We have targeted the support available to 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.

Over 20,000 customers this year have accessed bill reductions via one of our partner organisations.

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:

- **2023: 95,138 against a target of ≥75,000**
- **2024: 124,396 against a target of ≥79,000**
- **2025: Target set at ≥83,000**

We continue to overperform this measure and have provided more than £35m worth of bill reductions this year for customers in the most vulnerable circumstances.

We have seen particularly high engagement with our social tariff WaterSupport during the year, which reduces customer bills to a fixed amount, regardless of consumption, which we have been able to maintain at the same annual value of £350 in 2023 and 2024. This has protected customers with the lowest incomes from bill increases for the last two years.

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 and their annual water bill is more than £364.	**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 £2,000 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. 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 exceeded our target due to the policy changes we made in 2021, which enabled us to identify and charge more customers.

Key measure: Percentage of voids:

- **2023: 3.60% against a target of ≤4.15%**
- **2024: 3.66% against a target of ≤3.98%**
- **2025: Target set at ≤3.70%**

Our performance is now at the 2025 Ofwat-targeted levels and ahead of plan on both of our affordability measures.

Our support for customers in vulnerable circumstances has benefited significantly from the additional £15m investment we reported last year, to help customers through bill support up to 2025. This has enabled increased funding into the Yorkshire Water Community Trust, more customers being provided with bill reductions via social tariffs, targeted metering provisions and new initiatives to reach the customers who are struggling the most.

Our ambition in the next five years is for a further step-up in the help we provide for bill affordability. In our PR24 Business Plan, we have committed to providing:

- Financial support for half a million customers over the five-year period;
- Water bill support for 280,000 customers; and
- £250m worth of financial support across our suite of help schemes.

With established understanding of the interconnection between financial and non-financial vulnerability, we have introduced a number of initiatives this year to support customers with a broad spectrum of help. We have established robust signposting practices across our billing function to ensure customers are referred to additional help, beyond water affordability, should they need it.

This includes:

- Mental health
- Physical health
- Debt support
- Income maximisation

Despite increased levels of support available and significant growth in this financial year we continue to face challenges reaching all customers who may need help. National data suggests that just under 300,000 customers may be income deprived in Yorkshire and therefore potentially eligible for water bill support. However, despite increased marketing, promotion and community engagement activity we do not yet reach all the customers who may need help. We remain committed to increasing awareness and reaching all customers needing bill support.

Innovative partnership to support Yorkshire Water customers

In the 2023 calendar year, we embarked on a new partnership to improve the support we offer people who may be struggling financially.

We joined forces with TellJo, an organisation that helps businesses understand the reasons why customers have missed payments and uses award-winning technology to signpost additional support that is available to them, helping to build resilience and wellbeing for customers. We are using the technology to improve the support provided to customers, including offering payment arrangements, the option to sign up to debt or support schemes and to register to be on our Priority Services Register.

In the initial TellJo trial in Autumn 2023, around 2,000 customers were asked to complete a short questionnaire to identify any vulnerabilities. When customers complete the questionnaire, TellJo provides them with tailored outcomes and we can also offer payment arrangements, financial help through support schemes or see if they will benefit from our Priority Services Register. In this first phase, more than 1,000 people were signposted to external support to help them get back on top of their finances, as well as other areas where they required additional support. In addition, we were able to provide specific water bill support to more than 150 customers.

The success of the pilot has meant that this has now been expanded to help more customers. By the end of the year under review, we had invited more than 12,000 customers to complete the TellJo questionnaire and to access additional help.

Our Communities

The vast majority of our colleagues live and work in the communities that we serve. This makes it even more important to us that we do all that we can to support the communities around us in our role as an anchor institution in Yorkshire.

Supporting communities through education

We have an education programme which helps us to engage with our customers from an early age, helping them to learn about safety around water, how they can help support us in doing the right thing for the environment, as well as introducing them to new opportunities for their own futures. These early interactions help us to emphasise the importance of water efficiency and 'what not to flush' which children then share with their families and beyond. An important element of our work is also teaching water safety, helping to save lives with much needed awareness of how to stay safe near open water.

During 2024, our Education Performance Commitment delivery has increased by 3.5% compared to the previous year and across all our programmes, we reached nearly 37,000 children and adults and delivered over 36,000 hours of education. Our water safety live sessions have continued to grow in popularity with a 58% increase in hours. We also achieved visitor numbers of nearly 24,000 across our numerous centres.

Our free education programme can be either face-to-face in schools, at our sites or online and is suitable for both primary and secondary school audiences. We have a number of dedicated education centres at our treatment works and at our nature reserve at Tophill Low, giving students the opportunity to benefit from learning outside the classroom. Our education centres are accredited with the Learning Outside the Classroom Quality Badge.

LOtC Quality Badge
Council for Learning Outside the Classroom

During the second half of the year, we started work on two pilot projects using innovative ways of engaging young people in learning about key industry messaging. Our primary school Lego programme allows children to learn about sewer blockages, flooding and sustainable drainage systems through the creation of a Lego 'Bot' which they then code to move around a mat whilst learning how they can contribute to making our environment a better place.

Our second pilot programme, in collaboration with Hey Girls, has looked at the need to reduce blockages caused by sanitary products being flushed into the network. Two successful pilots have taken place and it is hoped the programme will roll out during the academic year 2025.

Sharing information on careers

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

Our work to support careers engagement and the Gatsby Benchmarks for good career guidance has continued during the year with the delivery of focused 'Careers Live' events during National Apprenticeship Week and Careers Week.

Our Industrial Cadets work experience programme in July 2023 focused on the theme of sustainability for 31 students aged 16-18 years of age. The programme will be taking place again in July 2024.

To complement our existing careers offer, we have piloted a partnership approach with Kier Group, developing a joint careers presentation which can be offered to schools in areas where we are delivering capital schemes. We hope to conclude the pilot and offer the opportunity to other contract partners during the 2024 calendar year.

Volunteering opportunities for colleagues

As part of our vision for a thriving Yorkshire, our 'Give Back, Bring Back' policy allows colleagues up to four working days per annum to get involved in community-based volunteering. Our programmes focus on four main themes which are directly linked to our business: education, environment, customers in vulnerability and employability. This volunteering benefits not only the organisations and people we support, but also our colleagues as they get the chance to use their experience in new situations, develop new skills and learn about the communities we serve across the region.

During the year we were delighted to see a number of our colleagues participating in team volunteering days with our environmental partners, Yorkshire Wildlife Trust, RSPB, The Canal & River Trust and The Aire Rivers Trust, alongside our education & charity work.

In total, over 2,200 volunteering hours were recorded by 360 colleagues from across the business.

BD25

Our head office has been based in Bradford for 23 years and we were delighted when Bradford was named as the UK City of Culture for 2025. We are proud to be one of the major partners of BD25 and are working closely with the BD25 team to support the events that will take place in the Bradford area throughout 2025. This includes volunteering opportunities for our colleagues throughout the year, which will bring benefit to both the Bradford area and to our colleagues.

BD25 BRADFORD UK City of Culture 2025

Supporting WaterAid - Our long-standing charity partner

As an organisation, we continue to support WaterAid to help bring clean water, decent toilets, and hygiene to communities in Ethiopia. This involves developing the capacities of four cluster-lead water utilities to provide sustainable water, sanitation, and hygiene services.

During 2024, we have continued to re-introduce our key fundraising events, previously curtailed due to Covid-19, raising an estimated total of over £96,000. This includes funds raised through our WaterAid lottery and the WaterAid Gala Dinner.

Living with Water

Hull and its surrounding areas are amongst the most vulnerable to climate risks in the UK. With a complex drainage network and the geography of the region, the risk of flooding is high.

The Living with Water (LWW) partnership is a collaboration between Yorkshire Water, Hull City Council, East Riding of Yorkshire Council, and the Environment Agency, who each have responsibilities for managing different aspects of flood risk in the area.

The long-term ambition of the LWW partnership is to create a city that thrives with water and delivers sustainable solutions which are co-developed and co-delivered for communities.

Our approach has been to work collectively across multiple disciplines within the partnership to develop the LWW Blue Green Plan. This is a 25-year strategy to address flood risk in Hull through investment in infrastructure, adaptation, and policy change, underpinned by a cultural alignment across the partners to deliver a shared vision.

Through LWW, we have delivered the installation of permeable paving on Rosmead street, which we reported had begun last year.

Our second scheme in Derringham is ongoing and consists of the creation of three large scale ‘aqua greens’ which in total will hold circa 1,800 cubic metres of storm water, acting like big ponds. The aqua greens are planted with native wildflowers and reeds which encourage wildlife into the green enhancing Biodiversity Net Gain in each of these locations.

Our People

Equality, Diversity and Inclusion (ED&I)

We continue with our commitment to providing a diverse and inclusive working environment where all our people are treated equitably. We launched an ED&I strategy as part of our ten-year strategy during the year which has 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.

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. This is part of our strategic pillar to create an engaged, high-performing team and is fundamental to achieving our vision of a thriving Yorkshire.

Our activities this year

- We launched an internal website to showcase our networks and ED&I resources, called our AllTogether Different site. This site provides colleagues with a place to learn more and to join our fantastic six networks listed further below.
- Last year we reviewed our diversity data monitoring and broadened our question set for colleagues and this year we are also using this in our recruitment process. This will provide us further information across the full candidate journey and colleague lifecycle, helping us to better understand our demographics as a business, where our priority areas are and monitoring our progress.
- We will shortly be launching our AllTogether Different campaign which includes encouraging more of our colleagues to provide their diversity data in confidence, as well as offering opportunities for colleagues to come together and learn more about ED&I.
- We have also broadened our ED&I training in the year, providing our colleagues with updated training that covers a wider range of topics.

Our colleague networks and groups

We now have six colleague-led networks, which are each sponsored by a member of our Executive team: Women & Gender, Disability, LGBT+, Armed Forces, Race & Ethnicity and, our newest network, Family. As part of our Women & Gender network we also have two groups: Menopause and Women in Engineering.

Our Family network has been introduced this year to provide support on issues relating to families, parents and caregivers, who all play a central role in child wellbeing and development. The network is for the people who offer love, care, provision and protection to children and young people, as well as economic security and stability. We want to recognise that this is a lifelong sacrifice which should be appreciated and celebrated, and we want to provide support for any of our colleagues in this role.

We have had some excellent colleague-led events and communications this year, led by our networks and groups, to build community across the organisation and to celebrate various awareness days such as Pride, South Asian Heritage Month, International Day of Persons with Disabilities, Menopause Day and many more.

Our Women in Engineering (WiE) Group have held several in-person events this year with people attending from Yorkshire Water and the Partners for Yorkshire Group. This group was shortlisted in the Diversity Initiative of the Year category at the Water Industry Awards. In February 2024, the WiE Group held an awards event to celebrate the progress made and the inspirational women and male allies across the group.

External relationships

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

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 year and prior year:

Gender	Male		Female	
	2024	2023	2024	2023
Statutory directors	5 (50%)	7 (63.6%)	5 (50%)	4 (36.4%)
Senior managers	29 (72.5%)	26 (68.4%)	11 (27.5%)	12 (31.6%)
Total employees	2,702 (72.6%)	2,662 (73.4%)	1,021 (27.4%)	964 (26.6%)

Ethnicity	White		Black and Minority Ethnic (BAME)		Not disclosed / Prefer not to say	
	2024	2023	2024	2023	2024	2023
Statutory directors	10 (100%)	11 (100%)	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)
Senior managers	23 (57.5%)	24 (63.1%)	1 (2.5%)	2 (5.2%)	16 (40%)	12 (31.6%)
Total employees	1,946 (52.3%)	2,070 (57.1%)	152 (4.1%)	167 (4.6%)	1,625 (43.7%)	1,389 (38.3%)

In note 4 to the Yorkshire Water Services Limited Annual Report and *Financial Statements,* we disclose figures relating to a total of 3,686 employees based on monthly averages throughout the financial year. The figures stated in the tables above relate to the number of employees in Yorkshire Water as at 31 March 2024. Both approaches are accurate and are provided in the format stated by the relevant regulatory requirements.

Our Culture

During the year we started work on identifying a future-focused culture to align with our ten-year strategy. Through extensive internal and external stakeholder engagement, research, and analysis, we have identified the critical behaviours that we believe will enhance our business performance, and improve our customer and colleague engagement. These have been discussed in detail with both the Yorkshire Water Executive team and Board and approved as the foundation for our desired culture going forward.

Our engagement process has demonstrated that we have a strong basis upon which to build. In addition to our clear focus on working safely, our people have a deep commitment to delivering excellent service. They are highly knowledgeable, dedicated in their work, and act as a friendly, supportive, and caring team.

Through our analysis work, we have identified several areas where we can seek to develop our culture to help improve our performance. These include creating an environment with more two-way challenge, and a greater balance of empowerment for our people while maintaining our focus on safety and compliance.

We understand that evolving the culture of an organisation takes time and a sustained effort. Our aim is to do this in two main ways; through consistently encouraging the desired behaviours through our ways of working and communications, and by ensuring our leaders and managers act as positive role models, demonstrating our desired behaviours in all that they do.

Our Executive team and Board recognise the critical role they play in shaping the future culture and leading by example.

A series of targeted interventions is equipping them to become deliberate and practiced role models for the desired cultural shift.

We are committed to measuring progress and continuously refining our approach via a comprehensive measurement framework, including colleague feedback on key cultural indicators via our regular colleague engagement survey and through ongoing colleague listening groups.

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 at yorkshirewater.com/about-us/our-policies/modern-slavery-act.

Attracting great people with the right skills

We recognise that our people are our most important assets, and it is critical to attract, retain and engage top talent and build resilience in the skills and talent of our people to ensure our success, both now and into the future. We are focusing on plans that will enable our people to enhance their performance and opportunities through a range of initiatives and talent developing programmes.

During this financial year, we have:

- Supported 21 colleagues in the completion of an accredited assessor programme via a collaborative funding pot, hosted by Calderdale College;
- Seen our graduate cohort of 2021 complete their programmes, with six of our eight graduates remaining within the business in permanent roles;
- Sponsored 155 apprentices on programmes with a further 33 awaiting enrolment or functional skills activity to support a move onto an apprenticeship;
- Offered 29 programmes via 21 providers to our apprentices, including the University of Leeds, Exeter University and Provek; and
- Funded apprenticeships with partners in areas of high levels of 'worklessness', where no-one in a household aged 16 and over is in employment.

We are continuing to invest in social recruitment channels and tools in order to attract a wider and more diverse talent pool. These investments have allowed us to reach candidates more readily and expand our talent pipeline further. We are also continuing to build on talent pools internally by offering more transparent secondment opportunities in-house.

Health and Safety

Health and safety remains 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, and we know it' and this includes a moral imperative of 'zero harm'.

As we continue to drive improvements in our key focus areas, we are aiming to move away from a proactive to a more generative health and safety culture. This means that we want to 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, we want to use failure to improve rather than to blame, and we want transparency in our organisation so that our leaders know what is really going on.

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 including several enabling change projects that support this delivery.

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.

Occupational safety

This year we set ourselves a challenging Lost Time Injury Rate (LTIR) target and we are delighted that we have achieved it, once again making significant improvement on the previous year's performance and achieving our best ever LTIR result.

Key measure: Lost Time Injury Rate – number of working hours lost per 10,000 hours as a result of injuries sustained at work:

- **2023: 0.15 against a target of 0.30**
- **2024: 0.10 against a target of 0.10**
- **2025: Target set at 0.10, including partners working on our behalf**

To maintain our drive to prevent injuries to our colleagues, customers, and partners, we had a planned focus this year on significant near miss incidents that have the potential, in slightly different circumstances, to cause serious injury. We were successful in reducing such incidents by 44% compared to the prior year.

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

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, for those colleagues who have required support.

We are very aware that the cost-of-living crisis has had a significant impact on the communities we serve, including many of our colleagues. During the year the Occupational Health team has established a relationship with the Leeds Inclusive Anchors Network, who support local businesses and communities on financial matters. Through the network we have provided support to colleagues through webinars and events providing advice on financial matters, which have been free for colleagues to attend as they wish.

We have also established a Financial Wellbeing hub where colleagues can confidentially seek further information on all aspects of finance.

During the year we have also introduced a Wellness Day for all colleagues which is in addition to annual holidays. This is to allow all our colleagues a day to focus on their wellbeing and help promote a healthy work-life balance.

Key measure: Sickness absence percentage:

- **2023: 2.79% against a target of 3.50%**
- **2024: 2.86% against a target of 3.00%**
- **2025: Target set at 3.00%**

Increased aggression towards our colleagues

During the year we have sadly seen an increase in the number of cases of aggression towards our colleagues and partners, both from customers and other members of the public. In response to this increasing trend, we have re-enforced our existing controls, increased our number of lone worker devices and we have also signed up to the 'service with respect' campaign which is led by the Institute of Customer Service. This service provides additional safety training to our customer facing colleagues.

Process safety

Our comprehensive Process Safety Management Plan continues to drive our approach to manage 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 Health and Safety Director, who in turn provides regular progress reports to the Executive team and the Safety, Health and Environment Committee of the Yorkshire Water Board.

Key measure: Process safety incidents:
- **2023: Zero against a target of <5**
- **2024: 1 Tier 3 Process Safety Near Miss incidents against a target of <7***
- **2025: Target set at <5***

* The measure includes Tier 3 Process Safety Near Miss incidents which were included in the Tier 1 and 2 classifications, hence the increase in target number for 2024 and 2025.

Safety leadership

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 the company'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 continued to provide safety leadership activities including site visits and have achieved our set targets, which are based on a fixed number per senior leader.

Key measure: Leadership safety site visits:
- **2023: 504 against a target of 435**
- **2024: 435 against a target of 435**
- **2025: Target set at 435**

Public safety

Public safety is always at the forefront of our minds, with our network and assets stretching right across Yorkshire and sites, such as our scenic reservoirs, being regularly enjoyed by many members of the public. Our Public Safety Steering Group, which consists of senior leaders, continues to ensure we are safeguarding the public. As such, the group looks at topics such as safeguarding, 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 with each other, and we have formed various joint working groups, to focus on things such as our 'Confined Space Charter' and 'People and Mobile Plant Interface' safety campaigns. We have focused in the last year on ensuring our partners understand our expectations and that our Yorkshire Water colleagues understand their commitments to ensuring that our partners operate safely.

Our approach to safety

We have a health and safety plan each year which sets out key milestone deliverables for focus areas.

This year we delivered all the major milestones of the plan, which contributed towards our strong health and safety performance and the maintenance of our ISO 45001 certification.

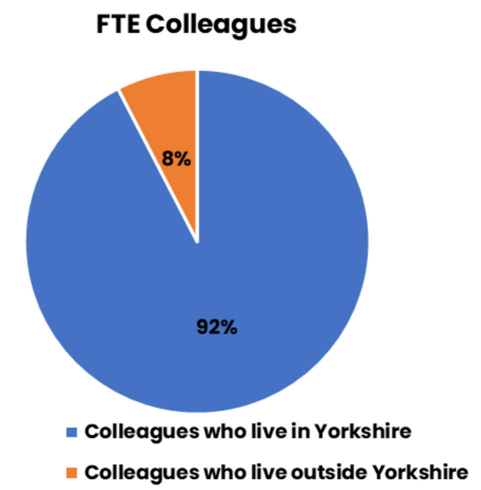
In the coming year we will continue to focus on the reduction of high potential incidents, process safety improvements and contractor safety, whilst placing a greater focus on engaging and collaborating with all colleagues, moving our health and safety culture from proactive to generative.

Over 1,700 colleagues received a new lone work device this year, when we entered into a partnership with a new provider.
Meet Daniel, one of our lone workers:

"Even if you never have to use your device, it's a relief to know someone has your back. However, that doesn't mean I haven't used it. I've used my device before when customers have become agitated or aggressive and, although thankfully the situation didn't escalate, knowing that I was safe if it did was a huge relief."

Colleagues that live in Yorkshire

This year, we gathered information to understand our colleagues better and to also understand how we are helping our communities by providing job opportunities to those who are based in Yorkshire. We take pride in knowing that a vast proportion of our colleagues who help make Yorkshire Water a thriving place to work are locally based. The chart below shows that 92% of our Yorkshire Water colleagues on a full-time equivalent basis live within Yorkshire.



Gender pay gap

In accordance with The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, we publish Yorkshire Water's gender pay gap information annually. The most recently published data is for 5 April 2023 and is included for information in the tables below. Data for 5 April 2024 is expected to be published no later than 5 April 2025. You can access our gender pay gap reports at yorkshirewater.com/careers/working-for-yorkshire-water/diversity-inclusion.

Gender pay and bonus gap figures

Year	Mean Gender Pay Gap	Median Gender Pay Gap	Mean Bonus Pay Gap	Median Bonus Pay Gap
2023	6.6%	8.4%	-34.6%	0.0%
2022	4.4%	5.1%	-13.0%	0.0%

% Receiving bonus

Year	Females	Males
2023	95.0%	97.8%
2022	89.7%	93.7%

**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
2023	23.2%	76.8%	24.7%	75.3%	19.0%	81.0%	39.3%	60.7%
2022	23.7%	76.3%	23.7%	76.3%	18.9%	81.1%	36.3%	63.7%

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

Whilst the gender pay gap figures are low in comparison to the national average, 2023 has seen an increase to both the mean and the median gender pay gap figures by 2.2% and 3.3% respectively. A key factor in this, for the fourth consecutive year, is an increase in female representation in the lower quartile increasing by a further 3% in 2023.

We have also seen a further increase to the mean bonus pay gap figure now at −34.6% in favour of females compared to −13.0% in 2022. The driver for this being the representation of females we see in senior roles and therefore receiving higher bonuses.

Yorkshire Water's predominantly male and long serving workforce, constituting 72.6% of our colleagues, reflects a historical imbalance that will require sustained effort over several years to rectify. Despite these challenges, our aim is to be reflective and representative of our communities and customers.

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 2023. Data for 2024 is expected to be published in April 2025.

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 we had a voluntary disclosure rate in 2023 of 61.7%, meaning 38.3% of our colleague population is undisclosed. These colleagues are not accounted for in the figures.

In 2023, Yorkshire Water's mean ethnicity pay gap was 5.7% and our median ethnicity pay gap was 11%. In order for our figures to be truly reflective of our workforce, 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
2023	5.7%	11.0%	(190.5%)	0.0%
2022	4.5%	10.2%	(85.8%)	0.0%

The Environment

Information on our environmental performance in relation to pollution incidents and permitted discharges during the year, can be found in our *Wastewater* section. This is a key area of focus for us as a business and we know that there is much to do to improve. We are focusing significant investment and resources on improving our performance, both now and in our PR24 Business Plan and beyond. We have ambitious targets to reduce the number of pollution incidents and permitted discharges, with investments of £1.4bn to reduce storm overflows and £580m to improve coastal and inland bathing waters in our PR24 Business Plan.

Our partnerships

Much of our work to do the right thing for the environment is delivered through partnerships. One of the key examples of this is our Living with Water partnership in Hull. More detail on this can be found in the section on *Our communities*.

The Water Industry National Environment Programme (WINEP)

The WINEP is the programme of work that water companies are required to do to fulfil their obligations arising from environmental legislation and UK government policy. The WINEP is updated ahead of each Price Review, and covers a five-year period. The current period is running from 2020 to 2025, alongside our AMP.

The WINEP does not cover all of our obligations relating to the environment, for example we have an obligation to maintain our assets and to consider future water resource demand, which are important matters to protect the environment but are not included as part of the WINEP.

Our current WINEP covers a broad range of requirements across the entire Yorkshire region, for both our clean water and wastewater activities. It includes management and improvement of our land, the sources of our clean water, the environmental impacts of our reservoirs and abstractions, and the impacts of the wastewater we release. The range of solutions vary from conventional engineering approaches, to our largest ever programme of catchment interventions. Collaboration, partnership, and innovation are key themes in our WINEP for this period.

In the year under review, we have invested around £224m through our WINEP on improving the environment in Yorkshire and investigating the impact of our activities.

We have also set out our WINEP plans for environmental improvements for the period from 2025 to 2030 as part of our PR24 Business Plan. We will be embarking on our largest ever environmental improvement plan, which will protect and improve the quality of water in our rivers and at our coasts, leading to cleaner, safer water environments that support recreation and biodiversity across the region.

The most significant area of investment will be in our wastewater treatment works, which will see reductions in nutrients such as phosphorus and nitrogen.

Where appropriate to do so, we will maximise our use of nature-based solutions to support improvements to biodiversity, net-zero, access, amenity and community engagement. We will continue to work collaboratively and in partnership with others delivering the joined-up approach that is one of our strategic pillars.

Alongside delivery of large infrastructure programmes to protect and enhance the environment, we have delivered actions to support biodiversity and species conservation. More information on this can be found later in this section.

Water resources

We have done much in the year to improve our water resources through reducing leakage, which is covered in more detail on our *Clean Water* section.

In order to contribute to a thriving Yorkshire, we need to be able to provide our customers with a reliable and sustainable supply of high-quality water now and in the future. Over time our ability to meet customer demand for water will be challenged by climate change, population and economic growth and the need to protect the environment. Our Water Resource Management Plan (WRMP) is a key component of our long-term strategic planning framework. It outlines how we will continue to deliver safe, clean drinking water to 2050 and beyond, even in the most severe droughts.

The WRMP considers future water supply availability, for example due to changes in rainfall, and demand, due to population growth. It then sets out the actions required to address the risk of a supply-demand deficit in the future. These actions include sourcing new water supplies, increasing storage and treatment capacity, and demand reduction measures such as reducing leakage, and encouraging reductions in business and household consumption.

All companies are required to produce a WRMP every five years to ensure the outcome is based on the latest data and guidance. Our latest plan can be found at yorkshirewater.com/about-us/resources/water-resources-management-plan.

As part of our WRMP24, our goal is to:

- Reduce the volume of leakage by 50% by 2050 compared to 2018 levels;
- Help customers reduce water use to an average of 110 litres per head per day by 2050, which is currently at 127 litres per head per day; and
- Work with retailers and business customers to achieve a 9% reduction in commercial water use by 2038.

The combined benefits of our demand strategy will be a 20% reduction in water production per head of population by 2038.

The WRMP also contains a number of new supply schemes for the next AMP, which will provide an additional 21 million litres per day in total.

Nature First

As part of our vision for 'a thriving Yorkshire, right for our customers and right for the environment', we have made a commitment called 'Nature First'.

This is a commitment to pursue nature-based solutions as a preference over traditional infrastructure to deliver our services. This commitment forms part of our PR24 Business Plan submission.

Nature-based solutions are rapidly being recognised as one of the most important tools to create resilient and thriving communities. 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 have a lot to be proud of when it comes to leading the way in nature-based solutions and we have led the water sector in making sure environmental and social value considerations are a key part of our decision-making processes. We already have globally significant nature-based solutions including:

- Restoring peat bogs and rivers;
- Our Living with Water partnership in Hull, which is co-creating a nature-based drainage infrastructure at a city scale. This will not only reduce flood risk but also support urban cooling, regeneration, education, skills, employment, and habitat creation; and
- Our partnership with Future Food Solutions is innovating in sustainable farming practices which protects raw water quality while also delivering the world's first arable soil carbon credits.

Managing our land

With approximately 28,000 hectares of land, 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
- Carbon storage

Our performance commitment to conserve and enhance 15,239 hectares of land is on track with our programme of work set to deliver this by 2025. This includes land on Sites of Specific Scientific Interest, tenancies signed up to Beyond Nature®, local wildlife sites and biodiversity enhancements, much of which we are delivering in partnership with others.

We are continuing to work in partnership with the National Trust, working together on a range of initiatives aligned to both organisations' strategic objectives. The most advanced of these is the ambitious **'Landscapes for Water' Project** which sees us working together for environmental benefit by planting new woodlands, following woodland clough guiding principles.

We are also continuing to manage our woodland estate of over 1,600 hectares to high standards and have achieved external Forest Stewardship Council accreditation.

Most of our non-operational land is tenanted to farmers, and we have continued to manage our farm tenancies with our Beyond Nature® initiative, combining research and practical applications to champion a variety of benefits which can be maximised through careful management of land resources and the natural environment. We now have 30 farms signed up covering 9,914 hectares of land.

As part of our Beyond Nature® initiative, a 'Biohub' has been created, bringing in funding from Levy UK and Ireland and Quorn Professional, transforming an area of fallow pasture into a working demonstrator farm based on circular and regenerative principles. 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.

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; 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.

These projects fully align with our overall priorities and objectives for owning land as well as meeting societal objectives expressed through stakeholder organisations.

Case Study: Clifton wastewater treatment works

We have recently delivered a constructed wetland at Clifton wastewater treatment works, which is a nature-based asset to help manage our water in a more sustainable and low-carbon way. This treatment facility is the size of three Olympic swimming pools and was designed to deliver phosphorus removal by planting 24,000 native plants in a new wetland, rather than constructing traditional treatment.

By doing this, we have created 2.28 Biodiversity Net Gain Units and achieved a 79% operational carbon reduction when compared to a traditional solution.

Further information on Biodiversity Net Gain can be found later in this section. This scheme has won multiple awards for its innovative and sustainable approach to wastewater treatment including the Utility Week Net-zero award and a Construction Industry Research and Information Association Innovation award for being the first nature positive wastewater treatment facility.

Case Study: Tophill Low Bird Hide

At our Tophill Low Nature Reserve, we have installed an 'access for all' bird hide which is elevated upon repurposed spoil, estimated to have saved Yorkshire Water bill payers around £3m in removal and disposal costs and significantly reducing the carbon emissions associated which such a large-scale removal project.

The project has also incorporated the planting of 3,200 native trees.

Great Yorkshire Rivers Partnership

Since 2009, various groups, organisations, and partnerships have successfully provided fish passage at over 100 weirs in Yorkshire. Entire river systems have been 'opened-up', helping secure the future of our fish species, the wildlife reliant on them, and angling. Great Yorkshire Rivers is a regional partnership initiative led by Yorkshire Water, the Rivers Trust and the Environment Agency to advance this further.

Our aim is to address all artificial barriers negatively impacting fish populations in Yorkshire, allowing recovery of our native fish species; helping rivers and their communities to thrive. Currently the partnership is in the process of bringing in around 20 live projects.

Chalk Stream restoration

We are working closely with partners such as the Yorkshire Wildlife Trust, Environment Agency and Natural England, to support the national Chalk Stream Restoration Strategy through development of a flagship project on the Upper River Hull to advance our wider plans for improvements across the Yorkshire chalk streams in the next AMP.

Habitat restoration

Work continues on our Water Works for Wildlife project, for habitat management on Yorkshire Water land focused on local wildlife sites. 14 hectares of floodplain priority habitat near Hull has been brought into the project to enhance biodiversity and protect local groundwater, together with another 14 hectares of local wildlife sites near Thurgoland, now being managed for biodiversity and in particular, numerous endangered bat species. A major project is underway with the Yorkshire Wildlife Trust to enhance the habitat adjacent to the River Dearne at four of our wastewater treatment works. We are also collaborating with partners along the Ouse, to help manage our land for the endangered Tansy beetle.

Invasive species

We continue to manage invasive non-native species and enhance biosecurity across our catchments, including three of our sites recently being awarded Bronze AQUA Biosecurity awards; Swinsty Reservoir, Fewston Reservoir and Tophill Low Nature Reserve.

Citizen science surveys

We have been working across Yorkshire, supporting citizen science and naturalist monitoring programmes, to help ensure we recognise our impacts and also, our opportunities to help wildlife thrive. For example, we have been working with the South Yorkshire Bat Group, to understand how endangered species such as bats use our land and reservoirs, to make sure we can play our part in their protection.

Biodiversity Net Gain (BNG)

BNG is a new approach to housing development which has been mandatory in England since 12 February 2024. Housing developers must now deliver a BNG of ten per cent, which means housing developments will result in a better-quality natural habitat than existed before each development.

We have set up an internal working group, who have set out processes and procedures to integrate BNG into our end-to-end process of working with developers, and training colleagues on the new requirement. We have also been undertaking the required biodiversity baseline metric assessments for large schemes, drafting biodiversity gain plans, and habitat management plans, as required.

Where there is insufficient space on site to provide BNG within the planning application area, we have a plan to provide our own biodiversity bank that can be used to provide off-site BNG units. There may also be instances where we will seek to deliver units via third parties; which will be a last resort in line with the legislation and guidance.

Bathing water

In Yorkshire, there are 18 coastal bathing waters and the first inland bathing water in the UK. Our 2023 performance resulted in seven bathing waters being classified as 'excellent', nine classified as 'good' and three, including the inland bathing water at Ilkley, classified as 'poor'.

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

We have continued to invest in our partnerships, developing a £1m marine impact modelling tool to support further studies, and co-funding intensive investigations led by the Environment Agency at Bridlington in 2023 and at Scarborough in 2024.

As part of a thriving Yorkshire, we are committed to continuing our partnership and engagement work along the coast into the next AMP. This includes developing and implementing improvement actions from the outputs of the investigatory work as well as expanding our coastal education offering. In addition to this, we have committed to reducing permitted discharges into bathing waters to two per season by 2030, five years ahead of the storm overflow reduction plan timescales. This will be delivered through significant capital investment at key locations.

Improving water quality at the River Wharfe

Since the River Wharfe in Ilkley was granted bathing water status, we have been keen to play our part in improving water quality. We recently completed the construction of a new sewer, which is two metres in diameter, took 16 months to complete, cost £15m to build and can store up to 3.4 million litres of wastewater.

The completion of this project is not the end of our work in Ilkley, later this year we will start further work to reduce discharges into the river and we are currently assessing a range of possible options, using nature-based solutions where possible.

This new sewer and detention tank is expected to reduce the frequency of discharges from the Rivadale storm overflow by 40% and will reduce the volume of wastewater discharged during those events by 50%. This will improve water quality in the River Wharfe.

Bioresources

During the year we have treated 146,025 tonnes of sludge at our wastewater treatment works and converted this into 78,838 MWhs of electricity.

Our energy generation performance ended the year behind expectations which has led to a new team being created with specific responsibility for the end-to-end sludge treatment process. The Energy Generation team is now focussing on our top five energy producing sites and creating a step change in performance. As we enter the new financial year, the team's priorities are to reshape our planning processes and align maintenance activities with operational events across all sites, embedding a production mentality.

Looking forward to the future, our internal Asset Management team continue to deliver our large capital programme. In particular, delivering over £50m of investment in site improvements required for compliance with the Industrial Emissions Directive, ahead of the compliance date of 31 March 2025. Additional investment will commence to install Ephyra at Knostrop – an innovative anaerobic digestion technology – reforming existing assets to unlock extra treatment capacity required to handle the additional sludges being produced by the phosphorus removal schemes being commissioned over the next year. This will be complimented by delivery of Gas to Grid at both our Knostrop and Blackburn Meadows sites, upgrading renewable biogas for injection into the local gas grid, increasing the value by £2m per annum.

To supplement the treatment capacity required, we are currently completing a procurement exercise to deliver Yorkshire's first long-term sludge trading agreement, building on our innovative use of the market to deliver the lowest cost solutions for our customers.

Energy and carbon reporting

Sustainable use of energy and reduction of carbon emissions has been a continued focus over the last year, and we have revisited our strategy for both areas to set ourselves on a clear pathway to deliver our goals.

We aim to increase our energy self-generation to 40%, make our operational emissions carbon neutral by 2030 and achieve net-zero emissions across both operational emissions and those in our supply chain by 2050.

Our PR24 Business Plan submission includes the investments required to deliver our goals by providing expansion of our renewable energy self-generation, reduced emissions from our wastewater processes, and optimisation from the whole life carbon arising from our capital programme to ensure we can operate efficiently and with low energy and carbon emissions.

We have taken a key strategic decision this year to re-align our emission reduction actions against absolute (location-based) emissions, and away from the use of market-based energy adjustments. While this means our market-based emissions will increase in the short term, we believe by tackling emissions at source, and increasing our energy self-generation, we will deliver a sustainable reduction in emissions.

We have made good progress to date with our plans to reduce emissions. We are aiming to reduce as far as possible through improving process efficiency, installing low energy and low carbon retrofits, fuel switching, transitioning towards electric and more efficient vehicle fleets, increasing our energy self-generation, and designing and constructing new assets with reduced whole life carbon emissions. However, we do expect to need to use carbon offsets to mitigate a residual level of CO_2e once all these actions are considered and are aiming to minimise this as much as possible.

Funding for these actions is being assessed by Ofwat as part of our PR24 Business Plan.

We have established two governance groups; a Net-zero Carbon Committee, chaired by our CEO, and an Energy Group, chaired by our Chief Financial Officer. These two groups provide governance and strategic direction for our forward planning and investment, as well as greater impetus and oversight to our initiatives to set specific targets for reduction and allocation of resources to support our implementation programmes.

Energy efficiency has been important to mitigate growth in energy consumption as we have increased the size of our asset base to accommodate growth in the population we serve and meet increasingly stringent environmental compliance requirements. We recently employed Consults to conduct Energy Savings Opportunity Scheme site audits, covering approximately 26% of our energy consumption. The audits found savings associated with a range of different asset types. We plan to review these audit reports and produce an action plan to be implemented in the next AMP.

Our Yorkshire Water zero emission fleet increased to 18% in 2024 with the addition of 252 electric light commercial vehicles. The deployment of these vehicles has been supported by investment in home charging installations to both improve charging options and reduce vehicle downtime.

Further fleet replacement funding will be allocated starting in 2026, supporting our strategy to move to a zero emission fleet over the next ten years.

We are seeking more efficient use of gas oil and investments to support fuel switching (gas oil to natural gas). We have also made positive progress to set out our forward investments and partnership plans for renewable energy that will ensure we can meet our ambitious self-generation targets.

We have also initiated pilot schemes to validate the carbon we will sequester through peatland restoration and woodland planting schemes, which over time will enable us to claim carbon credits (as insets) to reduce our annual emissions.

Process-related emissions have emerged as a key and growing challenge for several reasons. Firstly, these have risen, and are forecast to further increase, as we accommodate growth in wastewater treatment to meet population growth and deliver tighter environmental compliance requirements, and secondly due to emerging improved science around their measurement. We have been collaborating with academic partners and others in the sector to look at the implications of both of these pressures and look at ways to control emissions more tightly. We anticipate significant investment will be required in this area to ensure we can deliver on our net-zero plans.

The below data is reported in line with the UK government's Streamlined Energy and Carbon Reporting requirement for certain organisations to report their energy and Greenhouse Gas (GHG) emissions.

Both data sets have been assured as part of our annual performance reporting process, and the GHG emission data has 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 at yorkshirewater.com/about-us/reports.

Energy performance

Fuel use, GWh		2024	2023
Grid electricity		508	547
Renewable electricity* generated and consumed		162	98
Diesel		65	63
Gas Oil		20	17
Kerosene**		-	-
Natural gas		9	8
Petrol		3	2
Total		**767**	**735**
Intensity ratios	kWh per megalitre of water supplied	629	825
	kWh per megalitre of wastewater treated	595	663

*We are not currently able to report the amount of renewable heat that we consume and generate. **Only trace amounts of kerosene are used. [1]Intensity ratio water / wastewater splits are based on best estimates from available information.

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 Assets Management Period) 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 gases during treatment processes. This does not currently include emissions from our land.

Scope 2 emissions are those indirectly released to the atmosphere associated with our purchased electricity, used primarily to pump and treat water and wastewater.

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.

Our Greenhouse Gas emissions for the 2024 financial year are detailed below. The notable change from the prior year is that our market-based emissions have increased significantly as we have decided to realign our net-zero transition to location-based emissions and have taken a decision to no longer purchase certificated green energy to offset our emissions.

Greenhouse Gas (GHG) emission performance

Measure	Units	2024		2023	
		Market-based	Location-based	Market-based	Location-based
Scope 1	kt CO_2e	85	85	81	83
Scope 2	kt CO_2e	178	108	-	106
Scope 3	kt CO_2e	18	18	9	18
Total GHG emissions	kt CO_2e	**282**	**211**	**90**	**207**
Intensity ratios	kg CO_2e per megalitre of water supplied	222	144	18	182
	kg CO_2e per megalitre of wastewater treated	224	179	133	218

We use the latest version of the UKWIR Carbon Accounting Workbook, this year, version 18 which uses 2023 emission factors to calculate these emissions, whereas the environment measure reported in Yorkshire Water's *Annual Performance Report* is calculated using version 16 of the Carbon Accounting Workbook to provide a consistent measure for reporting our current Asset Management Period (AMP) performance (using 2019 emission factors consistent with our AMP baseline year).

Climate-Related Financial Disclosures (CFD)

As a business, we are reliant on the natural environment around us so it is essential that we assess and manage our risks, opportunities, dependencies and impacts in relation to climate change. We are already seeing the impact of climate change 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 playing our part in tackling climate change as well as adapting to the challenges that we are facing now and are likely to face in the future.

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

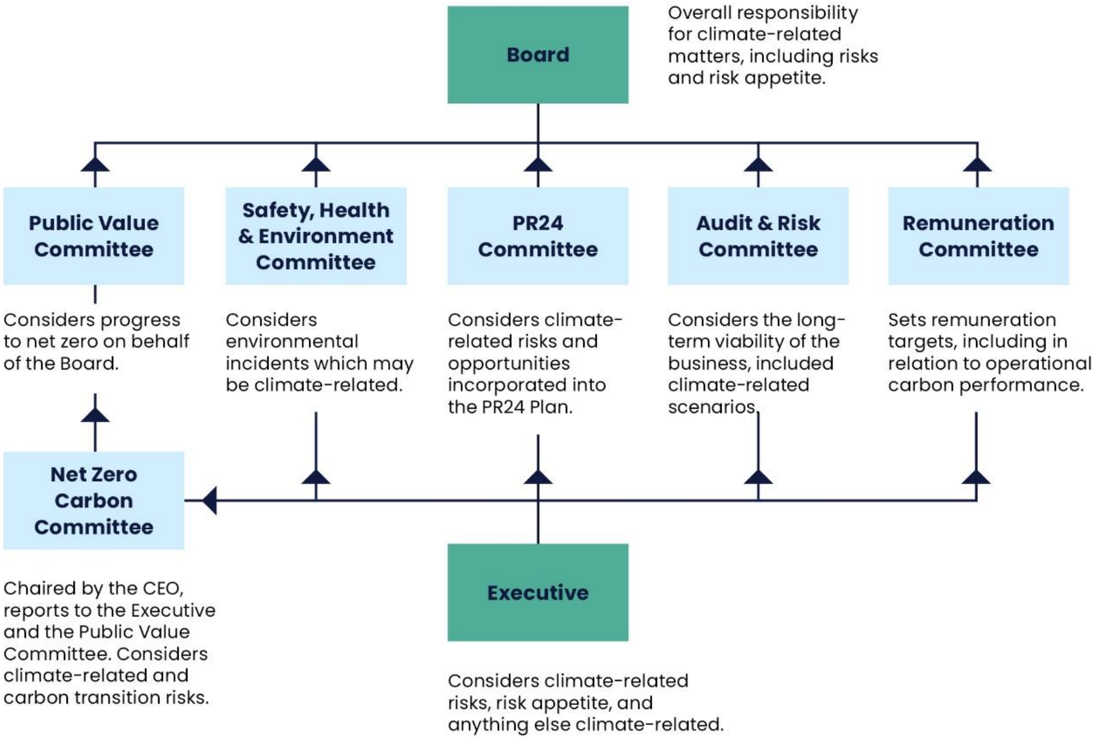
Governance

The Board has ultimate responsibility for climate-related matters, including climate-related risks and opportunities, and has considered these throughout the year in various forms.

The principal risks for the business are reviewed by the Yorkshire Water Executive team and Board every six months, which includes climate-related risks. In addition, during the year under review, the Yorkshire Water Executive team and Yorkshire Water Board have undertaken deep dives into the risk appetite for each principal risk, which includes the risk appetite in relation to climate change and carbon transition, for which there was a detailed discussion at the Yorkshire Water Executive team and Yorkshire Water Board meetings in March 2024. The risk appetite was reviewed using agreed key risk indicators and a breakdown of the individual risks that make up the over-arching principal risk.

The Yorkshire Water Board has also spent considerable time during the year overseeing the creation and submission of the Price Review (PR24) Plan for the business, which has included much discussion around climate-related risks and carbon transition in consideration of such things as the Water Resources Management Plan, the Drainage and Wastewater Management Plan, and the Long-Term Delivery Strategy, which all have climate-related considerations front and centre. The Yorkshire Water Board set-up a PR24 Committee specifically to consider the plan in more detail and there were 12 meetings of the Committee held throughout the year, during which there were detailed discussions and scrutiny of the climate-related risks, opportunities, assumptions and plans contained in the PR24 Business Plan submission.

The diagram that follows shows the flow of information on climate-related matters to and from the Yorkshire Water Board and its Committees.



Climate-related risks are also included in our long-term viability analysis, which is assessed every year by the Yorkshire Water Audit and Risk Committee and the Yorkshire Water Board.

A Net-zero Carbon Committee was set up in the prior year and this has continued to meet throughout the year under review. This is chaired by our Chief Executive Officer (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.

We also have an Energy Steering Group, chaired by our Chief Financial Officer (CFO), Paul Inman, which has responsibility for energy procurement, expansion of renewable energy self-generation, and energy efficiency.

The overarching principal risk of 'climate change and carbon transition' is owned at executive level by our Director of Strategy and Regulation. Achievement of our net-zero carbon emissions goal is owned by 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. Incidents are managed through bronze, silver and gold levels as required. All gold level incidents are led by senior leaders, with meetings chaired by the CEO or another senior executive. Silver and bronze are chaired by senior leaders or appropriate managers respectively. Regular updates on gold incidents are also made to the Yorkshire Water Board and post-incident lessons learned taken to the Yorkshire Water Board for information.

Climate-related risk and opportunity management

The Yorkshire Water Board maintain oversight of risk management across all principal risks, of which 'climate change and carbon transition' is one. All climate-related risk assessments are embedded and integrated as part of our corporate approach to *Managing risks and uncertainties* set out later in this report.

Risk identification is both bottom up and top down. It is embedded in all our operational systems, with subject matter experts conducting horizon scans to identify emerging risks. A standard risk assessment matrix ensures consistent measurement of both impact and likelihood and is common for all risks, including climate-related risk. All current scores are based on likelihood and consequence. This includes an impact assessment of six key aspects: service, value, people, health and safety, environmental protection, compliance, and reputation. Opportunities are also identified by our leadership teams. These are typically focused on avoiding costs rather than generating revenue but are identified and assessed using the same model as described above.

Strong systems of internal control are 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.

We assess and manage climate-related risks as part of the water industry's strategic planning frameworks every five years, in accordance with methodologies developed in collaboration with our regulators and the wider water sector.

Other climate-related risks are assessed and managed as part of our regulatory frameworks, planning policy, or via our own internal processes. For more detail about our risk and assurance activities see our *Managing risks and uncertainties* section.

Horizon scans feed our approach. At a strategic level this entails research and annual insight into the medium to long term trends. At a tactical level the company Resilience Steering Group review the short-term risk landscape once a quarter. This ensures appropriate preparedness, response or monitoring capabilities are in place should climate risks realise. External climate-risk intelligence provides macro level horizon scans as a key feed into our risk process, with integrated reports providing clear action plans. Risk analysis focuses on the Yorkshire region, given the location of our operations, but extends to consider national and international geographies on a risk-specific basis.

All climate-related risks are an embedded part of our risk hierarchy. This starts at the principal risk level and beneath this we see the corporate physical, transition, and net-zero carbon risks within our assessment. The risks are then analysed 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 Asset Management Plan 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

A risk appetite position and associated statement has been agreed for each principal risk, including climate and carbon related risk. This is supported by a suite of key risk indicators, which leadership teams monitor to take timely action to treat the risk.

The Yorkshire Water team and the Board provide oversight of the action plans to address risks that move outside of appetite or tolerance. Second line risk assurance and advice are provided to risk owners working in collaboration 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 risk scores that follow consider existing and planned interventions as risk mitigations and are a product of likelihood and consequence. We recognise that uncertainty increases in future; hence some risk scores may decrease in the medium-term but subsequently increase in the longer-term.

Climate-related risks and opportunities

Key:

Very low	**Low**	**Medium**	**High**	**Very high**

Risk	Potential impact and existing or planned mitigations	Short-term	Medium-term	Long-term	Impact on strategy
Acute physical risks					
More frequent and / or severe cold snaps.	Burst pipes and increased customer contacts, service disruption and pressure on emergency response. **Mitigations:** Asset management programme, emergency response plans.				Customer; asset health
More frequent and / or severe heatwaves.	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
More frequent and / or severe rainfall events.	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. **Mitigations:** Flood risk screening for all new capital schemes, physical flood defences, vulnerable asset plans, Drainage and Wastewater Management Plan.				Customer; Environment; Asset health
More frequent and /or severe storm events and coastal storm surge events.	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 health
Chronic physical risks					
Increased winter rainfall.	Increased agricultural run-off and soil erosion, resulting in raw water quality deterioration. **Mitigations:** Catchment land				Environment

Risk	Potential impact and existing or planned mitigations	Short-term	Medium-term	Long-term	Impact on strategy
	management, dynamic source selection.				
Hotter, drier summers.	Pressure on water resources, wildfires and potential degradation of raw water catchments, 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 programmes, infrastructure repair and maintenance programmes.				Environment; Customer; Asset health
Sea level rise.	Coastal erosion, flooding, salinisation of water resources and restricted outfalls, resulting in damage to assets, raw water quality deterioration, service disruption. **Mitigations:** Physical flood defences, relocation of assets, community resilience programmes.				Environment; Customer; Asset health
Transition risks					
Lack of supply chain capacity or readiness to decarbonise at the pace required.	Continued reliance on a carbon-intensive supply chain, resulting in increased capital and operating costs and a reputational impact. **Mitigations:** Supplier engagement and incentivisation.				Sustainable business
Introduction of new environmental protection requirements.	Increased carbon and energy footprint associated with new capital works or changes in operating processes, resulting in increased costs and slowing of progress to net-zero. **Mitigations:** Long-term strategic planning, asset management programmes, engagement with policymakers and regulators.				Environment; Sustainable business
Increased demand for renewable energy and carbon offsets.	Reduced availability of renewable energy and carbon offsets, resulting in increased operating costs. **Mitigations:** Roll-out of renewable				Sustainable business

Risk	Potential impact and existing or planned mitigations	Short-term	Medium-term	Long-term	Impact on strategy
	self-generation at operational sites.				
Increased societal expectations to transition to a low-carbon economy.	Demand for further progress from investors, resulted in an increased cost of capital. **Mitigations:** Stakeholder engagement activities.				Sustainable business
Pace of regulatory change misaligned to the climate transition timeline.	Insufficient regulatory funding for climate-related activities. **Mitigations:** Stakeholder engagement activities.				Sustainable business
National emergency water transfer to other regions.	Increased demand for water resources, resulting in supply interruptions and temporary use bans. **Mitigations:** Cross-industry collaboration on strategic resource options.				Customer

Key:

Very low	Low	Medium	High	Very high

Opportunity	Potential impact	Short-term	Medium-term	Long-term	Impact on strategy
Chronic physical opportunities					
Hotter, drier summers.	Reduced heating demand for wastewater treatment processes, resulting in cost efficiencies.				Sustainable business
Transition opportunities					
Emergence 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 public awareness of water consumption.	Reduction in per capita consumption, resulting in reduced pressure on water resources.				Environment
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 investment.				Sustainable business

Strategic resilience

Our strategy is set out at the start of this *Strategic Report*. As part of our strategy, we have three key documents that set out the strategy for our long-term operational plans: our Water Resources Management Plan (WRMP), our Drainage and Wastewater Management Plan (DWMP), and our Long-Term Delivery Strategy (LTDS). Climate-related risks are integrated into each plan. Together, these are used to inform and shape the development of our five-year business planning cycles, to ensure what we deliver in the short term is aligned with our long-term strategic goals.

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

Our customers are at the heart of our planning process and play a large role in helping shape our strategic plans. In recent years we have carried out several customer engagement activities to seek their views on our approach to climate change. Whilst customer support for increased investment to tackle climate-related risks has been impacted by the cost-of-living crisis, our research shows customers take the challenges of climate change seriously and are broadly supportive of investment to address climate-related risks and safeguard service levels in the future. As with all investments, we are mindful of the need to keep bills affordable for our current and future customers. 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 WRMP and DWMP incorporate climate change in their baseline models using an intermediate level of forecasted future emissions equating to Representative Concentration Pathway (RCP) 6.0. However, we have also stress tested the resilience of our business plans under more extreme, yet plausible, climate-related scenarios, as shown in the table below. Our scenario analysis is based on quantitative modelling following national guidance from the Department for Environment Food and Rural Affairs (DEFRA), Ofwat and the Environment Agency. Under our adaptative planning approach, we have identified alternative investment pathways to mitigate future risks identified by our scenario analysis, which may be triggered in the future.

At this time, we have focused on physical climate scenarios as these are most relevant to the key climate-related risks and opportunities facing our business. However, we intend to expand our analysis to include transition scenarios over the coming year with a view to disclosing our findings in the next Annual Report. We typically renew our physical climate scenario analysis every five years in line with strategic planning framework cycles.

<table>
<tr><th>Physical climate scenarios</th><th>Description</th><th>Rationale</th><th>Key assumptions and estimates</th></tr>
<tr><td>Low
UKCP18 probabilistic projections, RCP2.6, 50th percentile probability level.</td><td>An approximate 1.6°C warming scenario by the year 2100 – corresponding to an ‘optimistic’ emissions scenario.</td><td rowspan="3">• Scenarios represent a central pathway and plausible extremes of potential physical climate trajectories.
• Aligns with requirements of DEFRA, Ofwat and the Environment Agency.</td><td rowspan="3">• 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.</td></tr>
<tr><td>Central
UKCP18 probabilistic projections, RCP6.0, 50th percentile probability level.</td><td>An approximate 2.8°C warming scenario by the year 2100 – corresponding to an ‘intermediate’ emissions scenario.</td></tr>
<tr><td>High
UKCP18 probabilistic projections, RCP8.5, 50th percentile probability level.</td><td>An approximate 4.3°C warming scenario by the year 2100 – corresponding to a ‘worst case’ emissions scenario.</td></tr>
</table>

Scenario results and strategic response

Clean water

Climate change represents one of our largest risks to the availability of deployable water output, together with other challenges including population growth, loss of an import from Severn Trent Water in 2035, and potential reductions in abstraction in 2035 and 2040 to provide greater environmental protection. Our preferred Water Resources Management Plan intervention options include both supply-side improvements and demand-side reductions to address these risks in future as part of our core investment pathway.

Our scenario analysis indicates we would face a supply demand deficit of 359 Ml/d in 2050 under the high climate change scenario (RCP8.5), compared to 321 Ml/d in our preferred plan based on RCP6.0. This means we would need to make further investments to address this deficit, in addition to those already planned, to maintain our resilience to future drought events.

To mitigate this risk, we have developed an alternative adaptive pathway that would deliver additional supply options to offset the deficit resulting from the high climate change scenario. 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

For our wastewater network, the Drainage and Wastewater Management Plan scenario analysis focused on the impact of climate change on rainfall and the resultant impact this has on the performance of our wastewater network with regards to wastewater discharges and flood risk, as this is where we see climate change having the greatest impact on our levels of risk and future investment requirements.

Our core Drainage and Wastewater Management Plan pathway includes investment to manage physical climate risks associated with an intermediate level of forecasted future emissions. 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 and hydraulic sewer flooding that extend beyond those we have planned for in our core pathway. Mitigating these risks would require us to create additional wastewater network storage capacity, separate a greater volume of surface water run-off at source, and attenuate surface water run-off to slow the speed at which stormwater enters our sewer network.

We have created an alternative investment pathway to represent the additional expenditure that would be required for our wastewater network to mitigate risks associated with a high climate change scenario. We currently forecast this alternative pathway could deviate from our core pathway from 2030 at the earliest. We would decide to move to this pathway based on the most recent climate change projections supplemented by climate adaptation planning guidance which we will assess, monitor, and incorporate into our models as part of our ongoing business processes.

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. However, we 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;
- Catchment management activities to enhance environmental processes that 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 carbon 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.

Case study: Working in partnership to improve climate resilience in South Yorkshire

Across South Yorkshire there are many properties at risk of flooding from surface water and the public sewer network. During the November 2019 floods, over 800 residential homes and 100 businesses were flooded internally in Doncaster. We are working in partnership with the City of Doncaster Council, North East Lincolnshire Council, and Anglian Water, with funding from the Department for Environment Food and Rural Affairs, on a project which aims to use innovative Sustainable Drainage Systems – known as SuDS – to increase flood resilience and bring communities closer to nature across South Yorkshire.

SuDS offer a more natural alternative to rainwater flowing directly into the sewers, which are sometimes unable to cope with extremely heavy rainfall. Instead, rainwater is transported into green areas to be soaked up by plants and trees or stored in ponds and drained away more slowly to a watercourse or the sewer.

The project will deliver SuDS to local communities to reduce flood risk from surface water and sewers whilst providing attractive green streets. In addition to building resilience to climate change, the project will also encourage walking and cycling, enhance biodiversity, and improve community health and wellbeing.

Furthermore, the project has unlocked additional research funding for weather stations and flow monitors, which will help us understand the impacts of SuDS on water levels in our sewers during heavy rainfall and inform the design of similar schemes in future.

Metrics and targets

We use metrics and targets to help us assess our progress in managing our climate-related risks and opportunities. These include those for our climate risk related adaptation and our mitigation measures to enable our transition to net-zero carbon emissions.

Adaptation-related metrics and targets

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

We publish an Adaptation Report every few years. Our latest report can be found at yorkshirewater.com/environment/climate-change-and-carbon.

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

Risk area	Metric	Unit	2024 Performance	2030 Target	2050 Target
Physical - acute	Unplanned outages	Unplanned outage of peak week production %.	2.95	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	9.13	0
	Internal sewer flooding	No. per 10,000 sewer connections.	2.78	1.76	0
	External sewer flooding	No. per 10,000 sewer connections.	Not applicable	18.61	8.61
	Discharges from storm overflows to rivers and coasts	Average number of discharges per storm overflow.	34.98	26.86	9.02
	Storm overflow interventions that encompass blue green solutions	%	-	20	50
Physical - chronic	Per capita consumption	% reduction from a 2020 baseline.	1	5.0	18.5
	Non-household water consumption	% reduction from a 2020 baseline.	-	5.0	11.9
	Leakage	% reduction from a 2020 baseline.	12.7	27.4	48.8
	Risk of severe restrictions in a drought[2]	Return period.	-	1 in 200	1 in 500 (by 2040)

[1]These targets have been defined as part of our PR24 Business Plan and will be monitored from 1 April 2025.
[2]Performance data for 2024 is not available for all metrics but will be reported in future years.

Metrics and targets for net-zero carbon emissions

We have established a range of targets and metrics to aid the delivery of our decarbonisation plans. 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 emissions and those associated with our purchased electricity and to use offsetting to achieve a carbon neutral position for the residual emissions.

These targets and their supporting sub-targets are detailed in the table that follows along with their associated metrics. Addressing 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.

In the current AMP we have two performance commitments to track reductions in operational and embedded capital carbon. These are tracked annually, and further details of our energy and carbon performance in 2024, including the breakdown of energy use and carbon emissions, can also be read in the *Environment* section in compliance with the SECR reporting requirements.

New metrics for operational carbon out to 2030 will be agreed with our regulator and documented once the Draft Determination and Final Determination of our business plan have concluded.

Target	Metric	How progressed
Baseline (2020) equivalent operational emissions reduced to a carbon neutral position by 2030.	0 tCO2e (Net position after all sub-targets delivered).	Independently verified annually against ISO14064-1 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 in CHP or other green energy sources.	Investment plans each AMP, for example, AMP8 investments for net zero include £67m capex enhancement investment supported by base investment for net zero, subject to regulatory approval.
Reduce process emissions by 20% by 2030 through AMP 8 net-zero enhancement investment.	Percentage reduction from 2020 baseline.	Awaiting Draft Determination and Final Determination to confirm targets.
Reduce Scope 1 fleet emissions by 80% by 2030.	Percentage reduction from 2020 baseline.	These targets link to both the net-zero transition risks and those wider transition risks and opportunities.
Reduce business travel (Scope 3) related emissions by 80% by 2030.	Percentage reduction from 2020 baseline.	
Reduce outsourced emissions (Scope 3) by 50% by 2030.	Percentage reduction from 2020 baseline.	
Generate 3500tCO2e of annual carbon insets from peatland restoration and woodland projects by 2030	Validated annual sequestration in tCO2e.	
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.	
Net zero carbon emissions across all scopes of emissions by 2050.	tCO2e	Our Long-Term Delivery Strategy sets out our investment needs as £590m

Target	Metric	How progressed
		out to 2050. 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 transition plan.	Independently verified plan for net zero transition reduction pathway by the end of March 2025.	Via independent assessment. An independent assessor will be appointed to review our pathway to net-zero.
Reduction of Scope 3 – Capital Goods: 23% reduction against 2020 baseline by 2025.	Percentage reduction against in emissions in tCO2e against our modelled baseline for a core capital delivery programme.	On-going collaboration with our capital delivery partners and key internal decision-making. Progress tracked annually.

As noted in the table above, several of the targets defined will be refined based on Ofwat's determination of our PR24 Business Plan.

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 however 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 this is our first year of CFD reporting, 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 the risks and opportunities and the metrics and targets that have been set to deliver net-zero transition. For example, the aim to 'expand self-generation of green energy to 40%' targets both reduction of greenhouse gas emissions and addresses 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 other regions'.

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 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 *Our 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 this was 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 land for development along with sales from one of the three strategic land joint ventures. 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 legal and statutory documentation 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.

At Yorkshire Water the vast majority of our people live and work in the communities which we serve, and most of our colleagues are also our customers, as are their neighbours and often their extended families. This creates an even greater responsibility not only to have 'regard' to our key stakeholders, as required by section 172 of the Companies Act 2006, but to always be aware of how our actions impact upon them, both now and in the long-term.

The water sector has received a significant amount of negative media over recent months, and now more than ever it is important for the Yorkshire Water Board to be building trust amongst our stakeholders, through open, honest and constructive relationships so we can understand what matters most to them.

Several examples of the interactions of the Yorkshire Water Board with stakeholders during the year are shown in the Yorkshire Water Annual Report. The following pages set out some more detail on stakeholder interactions and there are some specific examples of how the views of our stakeholders have influenced decisions by the Yorkshire Water Board during the year.

Stakeholder – Customers

Customers are at the heart of the new Yorkshire Water strategy for 'a thriving Yorkshire, right for our customers and right for the environment'. We want to continually improve our customer experience and to do that we have to understand what our customers expect from us.

How have we engaged? We have a Customer Insight team at Yorkshire Water who run surveys and focus groups throughout the year to understand the sentiment of our customers and the issues that are important to them. Our Head of Insight has attended the Yorkshire Water Board twice in the year to provide updates on what customers are telling us.

In addition to this, the Yorkshire Water Board met at our customer contact centre for their March meeting and spent time during the meeting listening to some customer calls and speaking directly to our colleagues in the contact centre about the messages they hear from customers.

During the year, an independent consultant also undertook a detailed investigation into a customer issue to identify the learnings. The Yorkshire Water Board spent time reviewing the independent report and hearing about the actions being taken to improve the Yorkshire Water response to customer issues.

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

What has our engagement told us? We know that the main priorities of our 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 we do at Yorkshire Water. We are reliant on it for our water resources, now and in the future, and we treat and return wastewater to it and must do that responsibly. The environment impacts on the quality of our raw water and we own a significant amount of land that provides an outdoor environment for the communities we serve to enjoy.

How have we engaged? As a business we engage 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 full Yorkshire Water Board through various updates and Public Value Committee on specific partnerships, environmental initiatives and through business cases for investment.

We also seek to work closely with our environmental regulator, the Environment Agency, at both a regional and national level. Our Yorkshire Water Board has met with both the Regional Director and the Chair of the Environment Agency during the year to hear directly how we might improve in our approach to the environment. Our CEO, Nicola, also works closely with the CEO of the Environment Agency to ensure that we understand his expectations and any areas where we can improve.

What has our engagement told us? We know that the most important environmental matters relate to:

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

Stakeholder – Colleagues

Our colleagues remain our greatest asset and understanding their thoughts and feelings is key to us improving our business performance.

How have we engaged? We run a Yorkshire Voice survey twice a year which seeks to understand how our colleagues are feeling, and the feedback from that is shared with the business, with the Yorkshire Water Executive and Board receiving detailed information on the views expressed through the survey.

We have also operated a Colleague Engagement Forum during the year which has met three times in the year to discuss matters on the minds of colleagues and to share these directly with Board members attending the meetings.

The Yorkshire Water Board has also met twice with Trade Union representatives during the year to hear the views of Trade Union members directly from their convenors. 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 both our Ewden wastewater treatment works and our Elvington water treatment works, where Board members have been shown around the site by the colleagues who operate the sites on a day-to-day basis.

What has our engagement told us? We know that colleagues are most concerned about:

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

Stakeholder – Communities

Yorkshire Water is an anchor institution within Yorkshire, which means we believe we can play a significant role in helping and supporting the communities that we serve.

How have we engaged?

As a business we engage with our customers regularly which also gives us insight into the communities that we serve. Particularly in the work that we have undertaken prior to submitting our PR24 Business Plan we have had multiple engagement events where we have asked for feedback from customers and communities on our plans and their mains areas of concern.

We also work in communities, raising awareness of the financial support we 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 our engagement told us? We know that the matters most important to the communities around us are:

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

Stakeholder – Investors

We have four ultimate shareholders and all are represented on the Board of Eurobond. In addition, the three largest shareholders are represented on the Yorkshire Water Board, with the fourth shareholder entitled to appoint an observer to attend the Board meetings. In this way, we ensure that we treat all of our shareholders fairly and that their views are fairly represented in key decisions. This is further ensured by a Shareholder Agreement, which was signed in 2010 and updated in 2023, which sets out the rights of each of the shareholders in relation to the company and the matters which require specific investor consent. Further information on how our Board operates can be found in the Directors' report.

How have we engaged? As noted above, three of our investors have a representative on the Yorkshire Water Board, and the fourth has an observer who attends Yorkshire Water Board meetings. Our investors are therefore directly involved at a Yorkshire Water Board level, which means we are able to ensure they are all treated fairly and their views are represented in all Board-level decisions.

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

- Improving our customer service and operational performance;
- Managing our financial risks; and
- Demonstrating the highest standards of business conduct.

Stakeholder – Suppliers

Our supply chain is an essential part of our business and we are keen to understand the thoughts and priorities of our suppliers, many of whom are local to Yorkshire.

How have we engaged? We engage with our suppliers in multiple different ways, depending on the extent of the services provided by the supplier. We 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 our engagement told us? The things that matter most to our 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 our regulators are therefore amongst our key stakeholders. We seek to build good relationships with each regulator to better understand their expectations and how we can best align to these.

How have we engaged? We have multiple interactions with our regulators throughout each year at all different levels of Yorkshire Water. 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 dealing with Yorkshire Water.

We also respond to all consultations by our regulators on future regulation to ensure that we are contributing to the debate on how regulation could evolve. All of our responses are shared with the Yorkshire Water Board to keep them informed.

What has our engagement told us? We know that our 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 54 Members of Parliament in the area served by Yorkshire Water, and we know that they all want to champion the causes that are important to their constituents.

How have we engaged?
We engage regularly with local politicians, through both regular email updates to meetings and visits, to help them understand the work that we are doing to improve our services.

We also maintain links to local councils, which is particularly important when severe weather incidents occur and we are then able to work together to mitigate the impact on customers and communities.

What has our engagement told us? We know that our local politicians are interested in:

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

The long-term

As well as considering our stakeholders, the Yorkshire Water Board has to also consider the long-term in its decision-making. Our ambition is for a thriving Yorkshire and we consider the long-term implications for Yorkshire, for our customers and for the environment, in all our decision making. The Yorkshire Water 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 Yorkshire Water Board has considered the long-term regularly throughout the year in its review of the Long-Term Delivery Strategy for the business, the Water Resources Management Plan, the Storm Overflow Discharge Reduction Plan and our Drainage and Wastewater Management Plan, which all cover the next 25 years and beyond.

The Yorkshire Water 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 Yorkshire Water's *Going concern and long-term viability statement*.

A reputation for high standards of business conduct

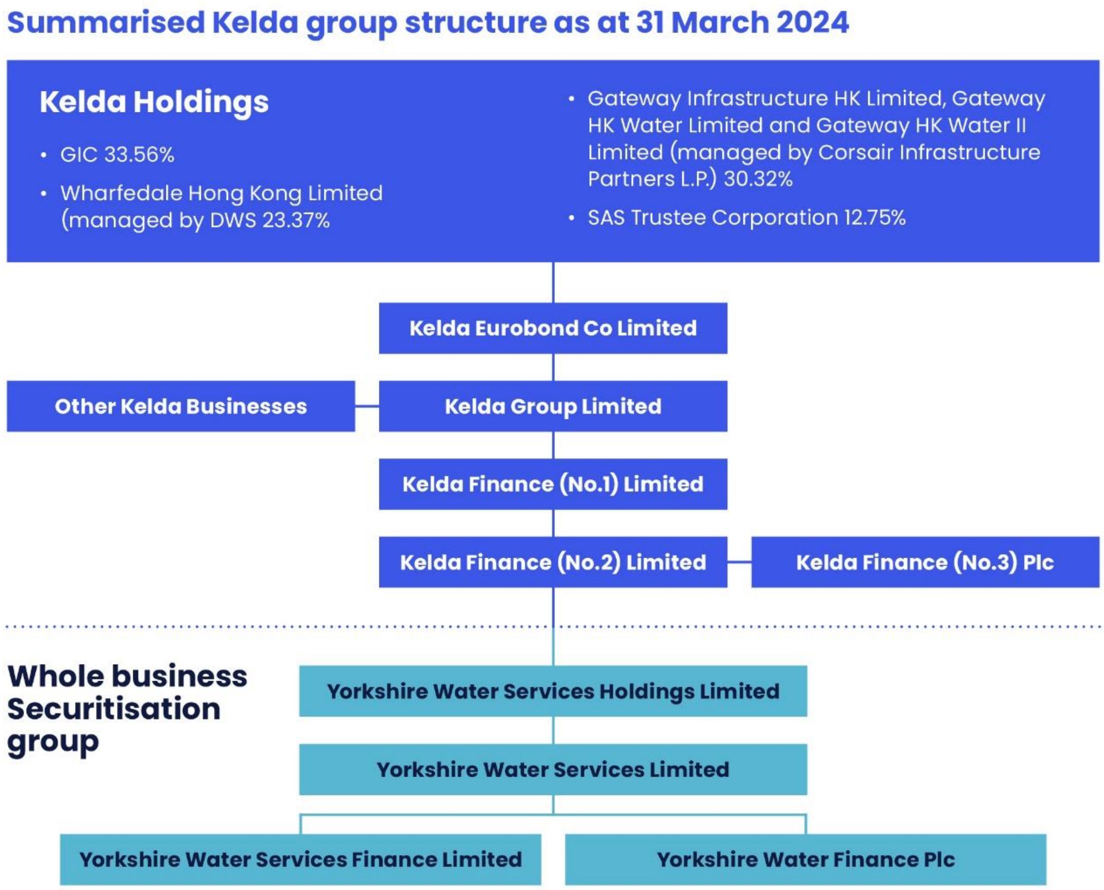
The Yorkshire Water Board is very aware that trust in the water sector has decreased over recent years for a variety of reasons. We are trying to address this through greater transparency and clearer explanations of what we do as a business and how we are performing.

We seek to maintain high standards of business conduct in all that we do and we have a Code of Ethics, which we expect all colleagues and partners to follow. This sets out the ethical standard we expect from all those working on behalf of Yorkshire Water.

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

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.

The bonds issued by Kelda Eurobond Co Limited are listed on the International Stock Exchange in the Channel Islands (TISE). TISE is regarded by the UK's HMRC as a recognised stock exchange for the purposes of the quoted Eurobond exemption. Listing on TISE was chosen rather than the London Stock Exchange (LSE) for ease of administration; since the bonds in question are not traded the greater administrative requirements imposed by the LSE are not necessary.

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 - 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

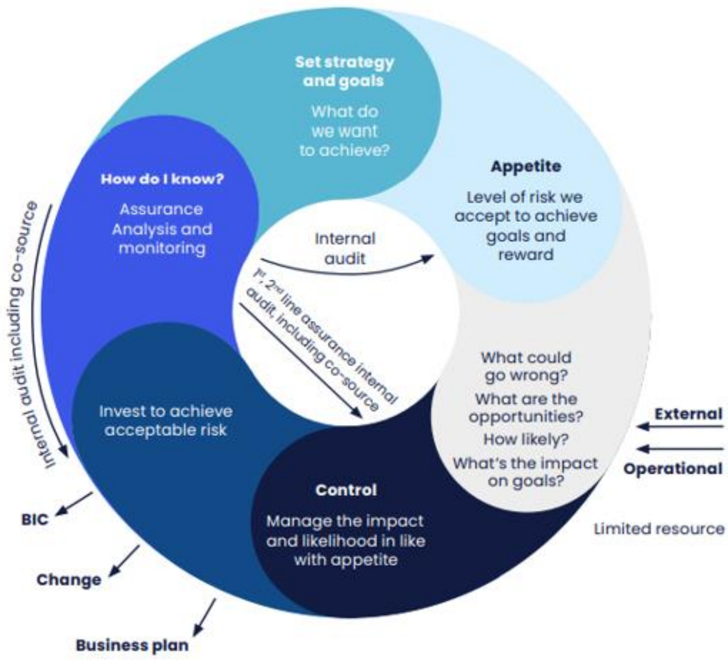
Yorkshire Water has had a well-established financing structure, known as a WBS, since 2009. The WBS enhances the creditworthiness of Yorkshire Water by setting strict rules that demonstrate to lenders the company is a safe and reliable business in which to invest. Lenders are therefore more prepared 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 to allow the Kelda group to consistently meet our customers needs and protect the environment, whilst keeping our colleagues safe and well. It 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 its risk appetite framework to achieve its ten-year strategy. We have a corporate risk management framework to assess and manage the risks to achieving our objectives, shown in the diagram below.



Our risk management framework

As the largest entity of the Kelda group, Yorkshire Water Board, working with the Yorkshire Water Audit and Risk Committee is responsible for overseeing the effectiveness of the risk management and control 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.

The Yorkshire Water Board maintains oversight of risk management through a programme of deep dives across all its committees. Risk identification is both bottom up and top down. It is embedded in all our operational systems and subject matter experts conduct horizon scans to identify emerging risks.

A standard risk assessment matrix ensures a consistent measurement of both impact and likelihood. Strong systems of internal control are in place to mitigate risk to an acceptable level.

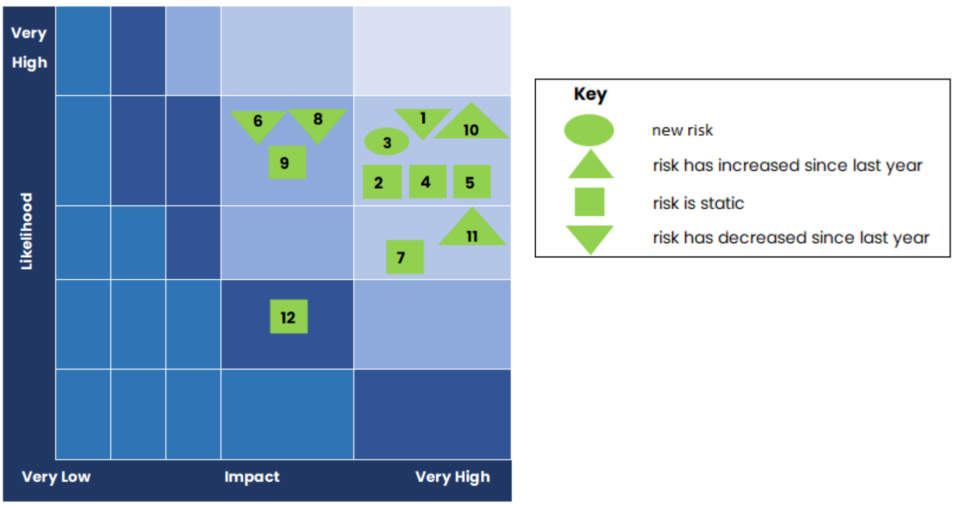
A risk appetite statement has been agreed by the Yorkshire Water Board and Executive for each principal risk. This is supported by a suite of key risk indicators which are monitored by the business. A review of the risk against appetite is undertaken by the Yorkshire Water Executive and the Audit and Risk Committee every six months.

Our coordinated three lines of assurance tests the design and operation of our control framework and the mitigation plans in place, recommending improvement action where needed. The Executive monitors the achievement 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 those individual or aggregated risks which have the potential to threaten resilience or take the business significantly beyond our risk appetite. The heat map plots our current risk exposure after controls have been applied.

The context in which we operate remains challenging with increased public scrutiny of the water industry alongside current political uncertainty. Global geo-political tensions lead to cyber security threats and supply-chain uncertainty. Despite this, improvements in our control and resilience frameworks have led to a reduction in three principal risks as detailed below. We introduced a new risk in the year separate out our focus on compliance with our regulatory and statutory obligations.



1. Cyber security

We may fail to keep our key business systems or data secure due to a malicious attack or failure of cyber security. Sensitive data could be released in breach of the General Data Protection Regulations or Environmental Information Regulations.

Our Security Steering Group monitors the delivery of our cyber security strategy, risk management framework, regulatory compliance and holistic security governance. It is committed to the continuous improvement of our cyber controls and culture. The Yorkshire Water Audit and Risk Committee monitors the delivery and impact of this significant programme. Independent assurance is provided on these developments and the subsequent impact they have on our cyber risk landscape and control maturity status. We continue to enhance our training, development, and communications for all colleagues to constantly mature our security culture and compliance. We use established networks to monitor the external threat landscape and take steps to respond. Although the external cyber-risk landscape remains challenging, we are managing the risk better and therefore the net risk has reduced in the year.

2. Environmental protection and flooding

We may harm the water environment through unsafe abstraction or discharge leading to pollution, or failure to adapt to flood inundation of our assets.

We have outlined our commitment to reducing the number of pollution incidents through our Pollution Incident Reduction Plan. It focuses on improving day-to-day compliance with our ISO 9001 and ISO 14001 assured operational procedures. This is being overseen by a team dedicated to river health and the business-wide pollution hub. We are investing £180m over the remainder of the AMP to improve the performance of our combined sewer overflows.

Asset health is a strategic pillar of our ten-year strategy. We are ISO 55000 certified, demonstrating that we follow best practice. We operate a risk-based prioritisation process for the maintenance and replacement of our assets and monitor the effectiveness of our asset management through asset health measures. We are modernising our approach to above ground maintenance, prioritising compliance.

We have well established business continuity plans and have improved our work with partners, including Local Resilience Forums and the Environment Agency to ensure effective incident response. We have invested to protect our vulnerable assets from flooding and work actively with our partners through schemes such as Living With Water to reduce the impact of flooding for others where we can.

3. Compliance risk

We may fail to meet our statutory and regulatory obligations.

This new risk has been separated out this year to reflect our focus on compliance with all our statutory and regulatory obligations. We want to be fully compliant with all our obligations at all times. This risk interconnects with many corporate risks as well as our principal risk on Political, Regulatory and Statutory change. Our standard risk assessment matrix allows us to assess all corporate risks for their potential impact on our compliance.

We have introduced the Yorkshire Water Compliance Framework to ensure a consistent approach to prioritising compliance. We have a corporate compliance database to enable us to monitor and respond to potential non-compliance. We have introduced a central Compliance team, supported by a network of subject matter experts across the business to enable a robust, consistent approach which allows early escalation and management of potential breaches. A suite of cross-business training and development promotes awareness of new or changed obligations.

4. Political, regulatory or statutory change

We may fail to adapt quickly to externally driven political and regulatory change.

This risk takes account of reports from Ofwat into stakeholder trust and recognises the political focus on the water industry, particularly in campaigning for the General Election. Our Corporate Affairs and Regulation teams lead our engagement with policy makers and the water sector to ensure the needs of our customers are understood. This provides early visibility of regulatory and statutory change allowing a timely response. A clear corporate governance framework allows a structured management of change. We have also enhanced our approach to horizon scanning for early sight of potential change. We are currently assessing the risks presented by changing legislation for micropollutants and Farming Rules of Water.

5. Financial sustainability

We may be unable to access funding at acceptable market rates due to market uncertainty or a downturn in our credit ratings.

The financial impact of external factors such as supply chain constraints, a challenging skills market and energy costs continue to create pressure on our operating and capital cost delivery and the achievement of our core financial ratios. Yorkshire Water has taken strong steps to manage this risk during 2024 with an intercompany loan repayment of £400m received in June 2023, no payment of dividend to the ultimate shareholders, reducing our gearing by one percentage point and maintaining 15 months liquidity.

Risk indicators are monitored monthly by the Finance Governance Group. We maintain clear financial policies and procedures and treasury policies that are approved by the Yorkshire Water Board, and a dividend policy that aligns with Ofwat guidance and the requirements of our Licence. Our commitment to maintaining our financial resilience underpins our PR24 Business Plan and our Long-Term Delivery Strategy. We are committed to maintaining our credit ratings and we manage our expenditure and funding accordingly. The Business Investment Committee prioritises investment in line with risk and opportunity and the Asset Programme Board has oversight of all capital expenditure.

6. Customer experience

We may not consistently meet the expectations of our customers by failing to deliver on our commitments.

Consistently delivering a quality of service that is right for our customers is at the heart of our ten-year strategy. Our customer experience strategy was created with customers so that we understand and capture what is important to them. We continue to capture customer views to inform our plans through our Customer Forum, online customer panel consultation and, to support the PR24 Business Plan process, a series of Your Water: Your Say events hosted independently.

Meeting customer expectations remains at the heart of our modernisation programme and our daily performance management and prioritisation processes. Our model office pilot brings cross-business teams together to identify practical improvements that deliver a stepped change in our operational services, focusing on getting it right first time. These are tested over time before being rolled out across our operational teams. Our policies and procedures are ISO certified and align to the achievement of customer service objectives. We continue to improve our support to customers in vulnerable circumstances to reduce water poverty across Yorkshire.

7. Organisational change and modernisation

We may fail to achieve the transformation required to meet our customer expectations and achieve our objectives.

We have significantly enhanced our enterprise change capability in recent years. The modernisation programme ensures that our business design meets our customer needs and delivers the expected benefits. The programme has moved into a delivery phase this year with the roll-out of integrated planning, scheduling and logistics and dynamic asset maintenance programmes, as well as a model office pilot which created a live test and learn environment to test new ways of working. This is supported by a technology programme to simplify our ways of working. Agile assurance is provided over the modernisation programme by the Internal Audit team.

8. Climate change and carbon transmission

We may fail to deal with the impacts of climate change, severe weather conditions and population growth on the resilience of our water resources and the integrity of our assets.

We continue to face severe weather events with increased frequency, as noted earlier in this Strategic Report, and are embedding BS65000 (organisational resilience) compliant policies and procedures. The resilience of our service and assets through these events shows the impact of these improved controls. Climate considerations are at the heart of our longer-term investment plans; the Water Resources Management Plan, the Drainage and Wastewater Management Plan and the Long-term Delivery Strategy.

We also continue to improve our renewable energy generation through our bioresources and solar programmes, whilst reducing our energy use through new technology. We are collaborating to develop resilient low asset solutions and ways of working, most notably through the Living With Water partnership in Hull and Connected by Water partnership in Sheffield. We are also working in collaboration with the National Trust on nature-based solutions to adapt to and reduce flood risk. We are using our substantial land bank to lead the way in sustainable land management and are well under way in transferring our fleet away from fossil fuels, with 18% of our fleet now consisting of electric vehicles as at 31 March 2024. Some significant corporate risks have transferred from carbon transition to the new compliance principal risk, resulting in the overall reduction in this net risk during the year.

9. _Public and colleague safety_

We may fail to protect the safety, health and wellbeing of our colleagues, contract partners and customers leading to harm.

The safety, health and wellbeing of our colleagues, contractors and customers remains our top priority. We are proud of the continued improvement in our safety performance this year, particularly in process safety and in our best ever Lost Time Injury Rate. However, we are not complacent. We are working hard to improve further, with a focus on process safety and learning lessons. Health and safety matters are prioritised at all meetings of the Yorkshire Water Executive and the Yorkshire Water Board. The Safety, Health and Environment Committee drives a focus on continually improving controls.

We remain committed to our life-saving rules and have refined and re-energised these across the business. We have introduced a suite of Safety Action Steering Groups. We have conducted a health and safety culture audit to continue our focus on improving our safety behaviours and continue to invest significantly in colleague wellbeing, including mental health, with sector leading initiatives including access to GPs and physiotherapy, diabetes training and mental health first aider training.

10. _Enough clean safe drinking water_

A problem with our system could cause a failure to meet the level or quality of water our customers need.

Our response to the sustained dry weather throughout 2022, followed by an extremely wet 2023 has demonstrated the need for the sector to invest in resilience of our networks against severe weather events. We have demonstrated that our controls are sufficient to meet the current demand for clean safe drinking water, but we continue to undertake detailed water resources planning, with the submission of our Water Resources Management Plan, and carefully monitor demand, raw water quality and asset availability to meet our customers' needs. We use our flexible grid network to move water across Yorkshire to where it is needed. Research and investigations to support targeted flushing of the network and calm networks will improve the risk position by the end of March 2025. Our dedicated clean water experts are delivering a structured action plan into the next AMP.

We operate a risk-based prioritisation process for the maintenance and replacement of our assets. We monitor the effectiveness of our asset management through asset health measures. We have improved our above ground maintenance programme. We are ISO 55000 (asset management) certified, demonstrating that we follow best practice. We have well established business continuity plans, oversight from our new Resilience Process Assurance Group and use our corporate incident management process to respond and recover.

11. People: talent, culture, succession, and retention

Our plans may fail to ensure we have the talent and culture to achieve our objectives both now and in the future.

The increase in this risk reflects the impact of ongoing challenges across the skills market set alongside the increased cost of living. This emphasises the importance of our good employee relations. High performing teams is at the heart of our new corporate strategy, supported by the roll out of Performance Excellence and the 'Talking Performance' approach. The Learning and Development team continue to focus on approaches to develop and embed core skills across the organisation. Engagement is monitored every six months in our Yorkshire Voice survey, with local action plans tailored to individual teams. The results of the survey this year showed a stepped improvement, as noted earlier in this *Strategic Report,* but we continue to focus on colleague engagement and wellbeing.

12. Governance, conduct and organisational resilience

We may not achieve the standard of conduct and reporting expected by our stakeholders.

We are committed to reporting clearly, openly, and accurately to all our stakeholders. Our coordinated internal and external assurance regime provides confidence to our leaders, customers, and regulators that we achieve this. We have established values and expected behaviours to meet customer needs with integrity. We continue to promote our Speaking Up Policy and investigate and learn from all issues raised.

Our Code of Ethics sets out our expectations of all colleagues and contract partners and there is mandatory online training for all colleagues to confirm their understanding of this.

Delivering and governing our investment programmes

Our Business Investment Committee governs the delivery of our investment programmes. Capital additions for 2024 were £684.6m (2023: £534.3m) (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 this AMP which will deliver our Water Industry National Environment Programme (WINEP) commitments continues in the delivery phase. Other significant investment will be made to meet legal and statutory Drinking Water Inspectorate demands and to reduce the frequency of storm overflows.

We continue to see large increases year on year in our capital expenditure as a result of the phased delivery of the WINEP programme within AMP7.

We anticipate that the 2025 expenditure will increase further as we continue to deliver our WINEP programme, and realise the cost of delivery of our £180m storm overflow undertaking.

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 £6,232.3m as at 31 March 2024 (2023: £8,345.2m) and net debt was £6,061.9m at 31 March 2024 (2023: £8,034.6m). 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 2024, Yorkshire Water Financing Group's (YWFG) (being Yorkshire Water Finance Plc, Yorkshire Water Services Limited and Yorkshire Water Services Finance Limited) Senior RAR was 70.8% (2023: 72.3%). 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 of the Yorkshire Water Services ARFS which can be found at yorkshirewater.com/about-us/reports.

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 in *Our Corporate Structure above*, 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:

- Repaid £149m across US private placement notes, publicly listed notes and finance leases;
- Raised combined net proceeds of £202m in July 2023 through tap issuances against two sustainable bonds with 2035 and 2041 maturity dates and coupon rates of 5.5% and 2.75% respectively. The proceeds were used to finance capital expenditure incurred during the year;
- Increased total commitments on Yorkshire Water's Revolving Credit Facility (RCF) from £480m to £630m. There remains the ability to upsize the facility by a further £30m. An option was exercised during November to extend the term of facility by 12 months to November 2028. A further 12-month extension option is available at the second anniversary of execution in November 2024;
- Entered into a new £80m committed credit facility with a three-year term and options to extend for a further year at each of the first, second and third anniversaries of execution;
- Renewed a liquidity facility in March 2024 at £120m 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 maintained at £182m.

To date, £2,100m 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	A-	BBB-	Stable	July 2023
Moody's	Baa2	Ba1	Stable	January 2024
S&P	A-	BBB	Negative	November 2022

On 20 April 2023, S&P affirmed its ratings and maintained its outlook at negative.

On 13 March 2024, Moody's affirmed its ratings with an unchanged stable outlook.

On 19 February 2024 Fitch affirmed its ratings with an unchanged stable outlook.

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.

The Yorkshire Water 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 Yorkshire Water 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 are targeting to hold at least 15 months of future cash requirements at all times. Activity during the year, such as the increase to committed levels under the RCF, has been focussed on 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 SONIA for an interest period, and interest is paid at fixed amounts plus 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 2026 to 2063. The swaps held by the group gave rise to a net negative fair value at 31 March 2024 of £1,490.3m (2023: £1,669.4m). 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 2024, Yorkshire Water had fixed over 97% of its forecast baseload energy requirements for the year to 31 March 2025. 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 £3.8m (2023: £144.5m 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 2024 and 2023 movements in deferred tax are 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

	2024 performance	2023 performance
Revenue Income receivable for services provided	£1,233.1m	£1,151.9m
Operating profit Revenue less operating expenses	£281.2m	£233.9m
EBITDA Earnings before interest, tax, depreciation, amortisation, and exceptional items *- Reconciled to Profit before taxation later in this section*	£665.6m	£586.3m
Net liabilities	(£633.3m)	(£765.0m)
Net debt[#1] See note 20 of the Financial Statements	£6,061.9m	£8,034.6m

[#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, which all relates to Yorkshire Water, was higher by £81.2m for the year. Revenue allowances rose by around 7% due to allowed Consumer Prices Index Including owner occupiers' Housing costs (CPIH) inflation of 9.3%, offset by an increase in Outcome Delivery Incentive (ODI) penalty from 2022. Additionally, there is c£7m income for non-household consumption in prior years that is adjusted through the market settlement process, as customer bills are finalised (previously based on estimates).

Operating costs have increased from £918.0m to £951.9m, again largely relating to Yorkshire Water. This increase includes the impact of cost increases for energy, contracted activity (including repairs and maintenance), employee costs and increases in depreciation and amortisation due to investment in fixed assets. In addition, 2024 saw increased regulatory and IT licence fees, additional costs to support our PR24 Business Plan activity and a reduction in asset sales in the year. We have strengthened our cost control across the business throughout the year which has mitigated some of the additional operational pressures resulting from severe weather, for example the multiple named storms.

Overall, the net impact of the above movements result in an increase in EBITDA to £665.6m (2023: £586.3m). A reconciliation between this and the statutory measure can be found below.

Net fair value movements on financial instruments and finance income for the year is a cost of £483.7m (2023: £241.2m income). This was predominantly a result of the large favourable fair value movements on financial instruments in 2023 which has reduced from £804.6m to £73.7m in 2024. See our *Managing financial risk and hedging* earlier in this section for more detail.

Overall, the group made a loss before tax of £200.4m (2023: £480.2m profit), and after taxation of £3.8m (2023: £144.5m) we are reporting a loss for the financial year for 2024 of £204.2m (2023: £335.7m profit). This represents an adjusted loss for the financial year of £259.4m (2023: £267.7m adjusted loss). A reconciliation between this and the statutory measure can be found below.

EBITDA is calculated as follows:

	2024 £m	2023 £m
(Loss)/profit before tax	**(200.4)**	480.2
Add back/(deduct) net finance costs/(income)	**483.7**	(241.2)
Add back depreciation and impairment (note 10)	**338.8**	314.0
Add back amortisation of intangible assets (note 9)	**43.5**	33.3
EBITDA	**665.6**	586.3

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:

	2024 £m	2023 £m
(Loss)/profit before tax	**(200.4)**	480.2
(Deduct)/add back fair value movements (note 7)	**(73.7)**	(804.6)
Total	**(274.1)**	(324.4)
Effects of taxation*	**14.7**	56.7
Adjusted loss	**(259.4)**	(267.7)

* 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 2024 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.

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. There have been no changes to the Board during the year.

The composition of the Board at 31 March 2024 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
Jessie Jin - GIC
Russ Houlden - Corsair
Mark Lorkin - Corsair
Hari Rajan - Corsair
Scott Auty - Pan-European Infrastructure Fund
Isabelle Caumette - Pan-European Infrastructure Fund

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

Each of the directors served on the Board of the company's subsidiary, Kelda Eurobond Co Limited. Vanda Murray, Nicola Shaw and Paul Inman were also members of the Board of Yorkshire Water during the year, along with

Andrew Dench and Russ Houlden who serve as Investor Non-Executive Directors. Scott Auty served as an Investor Non-Executive Director of Yorkshire Water until 20 November 2023, at which point he was replaced by Isabelle Caumette. 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 appointed to the Board of Kelda Finance (No.2) Limited on 25 May 2023.

Vanda Murray is the independent Chair of Yorkshire Water Services Limited and Kelda Eurobond Co 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 five 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	5	5
Scott Auty	5	5
Simon Beer	4	5
Isabelle Caumette	4	5
Andrew Dench	4	5
Russ Houlden	5	5
Paul Inman	4	5
Jessie Jin*	-	5
Mark Lorkin	3	5
Hari Rajan	4	5
Nicola Shaw	4	5

*Jessie Jin has been on maternity leave throughout the year under review.

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 2024 this evaluation was internally facilitated by the Group Company Secretary. Whilst the Board of Kelda Holdings 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 2024, the Board of Kelda Holdings Limited had a female Board representation of 36.4%.

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 2024 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 2024 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, none of which are significant, and all have clear action plans to address them in an appropriate time frame.

The directors present their report and the audited consolidated Financial Statements for the group for the year ended 31 March 2024. 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 loss for the financial year was £204.2m (2023: £335.7m profit), driven by high financing costs and fair value movements. Further information can be found in the Strategic Report.

Dividends

No dividends were paid during the year (2023: £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
Scott Auty
Simon Beer
Isabelle Caumette
Andrew Dench
Russ Houlden
Paul Inman
Jessie Jin
Mark Lorkin
Hari Rajan
Nicola Shaw

Biographies of the directors as at 31 March 2024

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.

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. 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 is also the CFO for Yorkshire Water Services Limited.

Jessie Jin
Jessie was appointed to the Board as a Non-Executive Director on 1 February 2022. She is a Vice President at GIC, having joined GIC in August 2019. Prior to her role at GIC, Jessie was an Assistant Director at Rothschild's infrastructure advisory arm for two years and prior to that worked at RBS for four years as an analyst and Associate Director.

Jessie is also a Non-Executive Director of Heathrow Airport Holdings Limited.

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 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.

Hari Rajan
Hari was appointed to the Board as a Non-Executive Director on 25 June 2019. 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 2024, 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.

Indemnities

As required by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006. An indemnity was in force throughout the last financial year. The group also has directors' and officers' liability insurance in place.

Research and development

The group undertakes a programme of research in pursuit of improvements in service and operating efficiency. In 2024 £2.9m (2023: £2.9m) was committed to research and development. In addition, £4.4m (2023: £4.2m) of costs have been accrued by Yorkshire Water in relation to the Innovation in Water Challenge scheme operated by Ofwat for AMP 7. 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 £684.6m (2023: £534.3m). 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 Yorkshire Water incurred expenditure of £656 (2023: £4,280) on such activities.

Annual General Meeting

The shareholders of Kelda Holdings 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.

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 2024 and signed on its behalf by:

Nicola Shaw CBE
Chief Executive Officer

Registered office:
Western House
Halifax Road
Bradford
West Yorkshire
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 2024

	Note	**2024 £m**	2023 £m
Revenue	*3*	**1,233.1**	1,151.9
Operating costs	*5*	**(951.9)**	(918.0)
Operating profit from continuing operations		**281.2**	233.9
Finance income before fair value movements	*7*	**13.4**	12.4
Finance costs before fair value movements	*7*	**(570.8)**	(575.8)
Fair value movements	*7*	**73.7**	804.6
Net fair value movements and finance (costs)/income	*7*	**(483.7)**	241.2
Share of associates and joint ventures' profit		**2.1**	5.1
(Loss)/profit before taxation		**(200.4)**	480.2
Tax charge	*8*	**(3.8)**	(144.5)
(Loss)/profit for the year		**(204.2)**	335.7

The notes on pages 105 to 182 form an integral part of the Financial Statements.

Kelda Eurobond Co Limited
Consolidated statement of comprehensive income and expense
for the year ended 31 March 2024

	Note	2024 £m	2023 £m
(Loss)/ profit for the year		**(204.2)**	335.7
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Revaluation of assets before taxation	*10*	**19.2**	(458.7)
Deferred tax movement on revaluation of assets	*8*	**(4.8)**	113.8
		14.4	(344.9)
Remeasurement of defined benefit pension before taxation	*18*	**(15.0)**	(63.9)
Remeasurement of employer funded retirement benefit scheme before taxation		**0.4**	3.2
Deferred tax in relation to retirement benefits	*8*	**3.6**	15.6
		(11.0)	(45.1)
Items that may be subsequently reclassified to profit or loss:			
Movement on cash flow hedges taken to equity before taxation	*20*	**(3.9)**	(36.9)
Deferred tax movement in relation to cash flow hedges	*8*	**1.0**	9.2
		(2.9)	(27.7)
Other comprehensive income/(expense) for the year, net of tax		**0.5**	(417.7)
Total comprehensive expense for the year		**(203.7)**	(82.0)

Kelda Eurobond Co Limited
Consolidated statement of financial position

as at 31 March 2024

	Note	2024 £m	2023 £m
Non-current assets			
Intangible assets	*9*	**1,340.0**	1,279.2
Property, plant, and equipment	*10*	**9,416.9**	9,053.1
Right of use assets	*10*	**43.2**	47.7
Investments in associated undertakings and joint ventures		**8.1**	7.2
Loans to associated undertakings and joint ventures		**2.5**	3.0
Trade and other receivables	11	-	150.9
Derivative financial assets	*20*	**254.5**	239.0
Post-employment benefits surplus	*18*	**86.0**	51.2
		11,151.2	10,831.3
Current assets			
Inventories		**8.3**	7.6
Trade and other receivables	*11*	**341.4**	288.2
Derivative financial assets	*20*	**9.1**	31.0
Cash and cash equivalents	*12*	**170.4**	310.6
Assets held for sale	*10*	**10.5**	2.3
		539.7	639.7
Total assets		**11,690.9**	11,471.0
Current liabilities			
Trade and other payables	*14, 16*	**(639.8)**	(524.4)
Derivative financial liabilities	*20*	**(26.2)**	(6.7)
Deferred grants and contributions on depreciated assets	*15*	**(14.4)**	(13.0)
Borrowings	*12*	**(80.0)**	(562.9)
Lease liabilities	*13*	**(6.3)**	(5.9)
Liabilities directly associated with assets held for sale		**(3.2)**	-
		(769.9)	(1,112.9)
Non-current liabilities			
Borrowings	*12*	**(6,152.3)**	(7,782.3)
Trade and other payables	*14*	**(2,207.3)**	(8.4)
Derivative financial liabilities	*20*	**(1,742.6)**	(1,929.9)
Deferred grants and contributions on depreciated assets	*15*	**(595.4)**	(563.4)
Provisions for other liabilities and charges	*16*	**(23.9)**	(16.6)
Lease liabilities	*13*	**(42.3)**	(48.2)
Deferred income tax liabilities	*17*	**(790.5)**	(774.3)
		(11,554.3)	(11,123.1)
Total liabilities		**(12,324.2)**	(12,236.0)
Net liabilities		**(633.3)**	(765.0)

Kelda Eurobond Co Limited
Consolidated statement of financial position *(continued)*
as at 31 March 2024

	Note	**2024** £m	2023 £m
Ordinary shares	*19*	**7.5**	7.5
Share premium	*19*	**1,077.9**	742.5
Hedging reserve	*19*	**4.6**	7.5
Revaluation reserve	*19*	**583.6**	569.2
Accumulated losses		**(2,306.9)**	(2,091.7)
Total equity		**(633.3)**	(765.0)

The Financial Statements on pages 98 to 182 were approved by a duly authorised committee of the Board of directors on 10 July 2024 and signed on its behalf by:

Nicola Shaw CBE
Chief Executive Officer
10 July 2024
Kelda Eurobond Co Limited

Kelda Eurobond Co Limited

Consolidated statement of changes in equity

for the year ended 31 March 2024

	Note	**Ordinary shares £m**	**Share premium £m**	**Hedging reserve £m**	**Revaluation reserve £m**	**Accumulated losses £m**	**Total equity £m**
Balance at 1 April 2022		7.5	742.5	35.2	914.1	(2,382.3)	(683.0)
Total comprehensive (expense)/income for the year							
Profit for the financial year		-	-	-	-	335.7	335.7
Revaluation of assets before taxation	*10*	-	-	-	(458.7)	-	(458.7)
Deferred tax on revaluation of infrastructure assets	8	-	-	-	113.8	-	113.8
Remeasurement of defined benefit pension before taxation	*18*	-	-	-	-	(63.9)	(63.9)
Remeasurement of employer funded retirement benefit scheme before taxation		-	-	-	-	3.2	3.2
Deferred tax on revaluation of retirement benefits	*8*	-	-	-	-	15.6	15.6
Movement on cash flow hedges taken to equity before taxation	*20*	-	-	(36.9)	-	-	(36.9)
Deferred tax movement in relation to cash flow hedges	*8*	-	-	9.2	-	-	9.2
Total comprehensive (expense)/income for the year		-	-	(27.7)	(344.9)	290.6	(82.0)
Balance at 31 March 2023		7.5	742.5	7.5	569.2	(2,091.7)	(765.0)

Kelda Eurobond Co Limited

Consolidated statement of changes in equity *(continued)*

for the year ended 31 March 2024

	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 cash flows

for the year ended 31 March 2024

	Note	**2024** **£m**	2023 £m
Cash flow generated from operating activities	21	**606.4**	598.9
Income taxes received		**-**	2.4
Interest paid		**(160.8)**	(194.9)
Net cash generated from operating activities		**445.6**	406.4
Cash flows from investing activities			
Interest received		**7.2**	4.2
Decrease/(increase) in loans to associates and joint ventures		**0.5**	(0.2)
Proceeds on disposals of property, plant, and equipment		**2.6**	3.9
Purchases of property, plant, and equipment		**(657.6)**	(530.8)
Dividend received		**1.3**	-
Net cash used in investing activities		**(646.0)**	(522.9)
Cash flows from financing activities			
Borrowings raised		**927.2**	1,160.5
Repayments of borrowings		**(865.0)**	(783.4)
Repayment of lease liabilities and hire purchase agreements		**(2.0)**	(2.0)
Net cash generated from financing activities		**60.2**	375.1
Net (decrease)/ increase in cash and cash equivalents		**(140.2)**	258.6
Cash and cash equivalents at the beginning of the year	21	**310.6**	52.0
Cash and cash equivalents at the end of the year	21	**170.4**	310.6

1. Authorisation of Financial Statements

The group's Financial Statements for the year ended 31 March 2024 were authorised for issue by the Board of directors on 10 July 2024, 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 2024.

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.

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 2024, the group's available combination of cash and committed undrawn facilities totalling £1,132.4m (2023: £729.6m), comprising £962.0m (2023: £419.0m) undrawn committed facilities and £170.4m (2023: £310.6m) 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 the twelve months from the date of signing the Financial Statements. In addition, 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.

The group's securitised financing arrangements include covenants with only a default threshold, which are reported bi-annually and are explained further below. 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 such as significant weather related events or business re-organisations.

In assessing going concern, the directors have considered the group's business activities, including the group's financial and operational performance.

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 2025 and 2026.

2. Accounting policies *(continued)*

Going concern *(continued)*

The base case Board-approved budget cash flows show sufficient headroom in the key metrics reviewed. A number of sensitivities were then overlayed to the base case to consider a number of possible adverse scenarios. Mitigating actions were also considered to ensure headroom remained on facilities available, key interest cover ratios and to ensure the company managed its business risks appropriately throughout the going concern period.

As a result of this analysis, the directors believe that despite financial and operational challenges, the strength of the mitigations available are such 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 twelve 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.

2. Accounting policies *(continued)*

Revenue *(continued)*

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.

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.

2. Accounting policies *(continued)*

Taxation *(continued)*

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.

Goodwill and intangible assets

Goodwill

Where appropriate, assets are reviewed for impairment at each reporting date to determine whether there is any indication that those assets may have suffered an impairment loss. 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 statement of profit or loss.

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.

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.

2. Accounting policies *(continued)*

Property, plant, and equipment *(continued)*

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 valuation less depreciation. 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 2024. 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 and goodwill

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.

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.

2. Accounting policies *(continued)*

Government grants and contributions *(continued)*

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.

Financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and other short-term highly liquid investments.

2. Accounting policies *(continued)*

Financial instruments *(continued)*

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.

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.

2. Accounting policies *(continued)*

Derivative financial instruments *(continued)*

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.

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 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. 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 will take effect and the additional contribution tier will 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.

2. Accounting policies *(continued)*

Pension plans *(continued)*

(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.

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.

2. Accounting policies *(continued)*

Fair value estimation *(continued)*

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 has not applied the following new and revised IFRSs that have been issued but are not yet effective and, in some cases, have not yet been adopted by the UK:

IFRS 10 and IAS 28 (amended)	*Sale or Contribution of Assets between an investor and its Associate or Joint Venture*
IAS 1 (amended)	*Classification of Liabilities as Current or Non-current*
IAS 1 (amended)	*Non-current Liabilities with Covenants*
IAS 7 and IFRS 7 (amended)	*Supplier Finance Arrangements*
IFRS 16 (amended)	*Lease Liability in a Sale and Leaseback*

The directors do not expect that the adoption of the Standards listed above will have a material impact on the Financial Statements of the group in future periods.

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. This represents a level 3 fair value measurement since it is derived from valuation techniques that include inputs not based on observable market data. Management conclude on the appropriate EV to be used from within this range using their judgement.

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, this is heightened for the year ended 31 March 2024 given where the company is at in the AMP cycle. The discount rate applied is 9.50% (2023: 8.00%).

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 less working capital balances wholly to the infrastructure assets. 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 £1.71m 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 2.7% 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 9.50% (2023: 7.50%) long-term inflation rates of 2.0% RPI / 2.0% CPIH (2023: 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 (2023: 1.17x). 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 £1,505.2m (2023: £1,666.6m) would be £19.6m (2023: £25.0m) higher or lower were the counterparty funding assumption to change by ten basis points. The fair value of net derivative financial liabilities of £1,505.2m (2023: £1,666.6m) would be £12.8m (2023: £15.5m) higher or lower were the credit curve assumption to change by ten basis points. The fair value of net derivative financial liabilities of £1,505.2m (2023: £1,666.6m) would be £41.5m (2023: £57.8m) 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.

e) Household bad debt provision

At each reporting date, management make an estimate regarding future cash collection to form the basis of the household bad debt provision. Estimates associated with this provision is based on historic, current, and forward-looking information where available.

Some uncertainty remains around how current economic conditions could impact the recoverability of household debtors, particularly in light of the backdrop of the cost-of-living crisis. At 31 March 2024, the total amount provided for relating to household customer debt was £33.3m (2023: £34.5m) and non-household debt was £0.5m (2023: £0.4m), totalling an overall bad debt provision of £33.8m (2023: £34.9m). The household bad debt provision is primarily based on reviewing customer payment profiles and predicting collection levels over a future period of five years, if the recovery percentage applied worsened by 1%, then the provision would increase by £0.8m.

2. Accounting policies *(continued)*

Critical accounting judgements and key sources of estimation uncertainty *(continued)*

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 £78.4m (2023: £73.1m) of own work capitalised. 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.

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 impact that climate change may have on the amounts recognised in the Financial Statements. The natural environment in which we operate is continually changing, and the expected impact on the company from climate change is set out within the Climate-related Financial Disclosure section of the Strategic Report. We have considered the impact of the climate change related risks to which the group is exposed in the preparation of these Financial Statements. The risks are long-term in nature, and 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 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**

Year ended 31 March 2023

	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	1,151.7	29.6	7.2	(29.4)	1,159.1	(7.2)	1,151.9
Inter-company revenue	(2.1)	(27.3)	-	29.4	-	-	-
External revenue	1,149.6	2.3	7.2	-	1,159.1	(7.2)	1,151.9

3. Revenue *(continued)*

Timing of revenue recognition

	2024	2023
	£m	£m
At a point in time	**1,210.9**	1,131.2
Over time	**22.2**	20.7
Total revenue from continuing operations	**1,233.1**	1,151.9

4. Segmental information

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
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.

4. Segmental information *(continued)*

Year ended 31 March 2023

	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)	1,149.6	2.3	7.2	-	1,159.1	(7.2)	1,151.9
Depreciation, impairment and amortisation	(340.8)	(0.1)	-	(6.4)	(347.3)	-	(347.3)
Release of deferred income	13.7	-	-	-	13.7	-	13.7
Other operating costs	(584.5)	(1.3)	(6.0)	0.2	(591.6)	7.2	(584.4)
Group operating profit	**238.0**	**0.9**	**1.2**	**(6.2)**	**233.9**	**-**	**233.9**
Finance income before fair value movements (note 7)							12.4
Finance costs before fair value movements (note 7)							(575.8)
Fair value movements (note 7)							804.6
Associates' and joint ventures' profit							5.1
Profit before taxation							**480.2**
Tax charge (note 8)							(144.5)
Profit for the year attributable to owners of the parent							**335.7**

4. Segmental information *(continued)*

Year ended 31 March 2023

	UK regulated water and wastewater services £m	**UK service operations £m**	**UK property development £m**	**Other companies and consolidation adjustments £m**	**Total £m**
Assets	9,792.7	0.1	18.6	1,349.0	11,160.4
Liabilities	(3,756.8)	(2.7)	(16.9)	(114.4)	(3,890.8)
Net debt (note 20)	(5,761.6)	-	-	(2,273.0)	(8,034.6)
Net assets/(liabilities)	**274.3**	**(2.6)**	**1.7**	**(1,038.4)**	**(765.0)**
Other information					
Tangible asset capital additions (note 10)	534.3	-	-	-	534.3

Other companies and consolidation adjustments includes adjustments made to the consolidated financial information of subsidiaries in line with IFRS and £1,954.8m of loan notes issued by Kelda Eurobond Co Limited.

There are no material assets of the group located outside the United Kingdom in the year ended 31 March 2023, this being the case the group has one single geographical segment, being the United Kingdom.

5. Operating costs before exceptional items

Operating costs before exceptional items includes the following:

	2024	2023
	£m	£m
Own work capitalised	**(78.4)**	(73.1)
Raw materials and consumables	**73.2**	71.8
Staff costs (note 6)	**226.9**	211.2
Depreciation and impairment of tangible assets (note 10)	**338.8**	314.0
Amortisation of intangible assets (note 9)	**43.5**	33.3
Net reversal of impairment of trade receivables	**(5.2)**	(7.0)
Restructuring costs	**0.6**	9.0
Profit on disposal of property, plant, and equipment	**(0.8)**	(3.9)

Auditor’s remuneration

Services provided by the group's auditor are analysed as follows:

	2024	2023
	£m	£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
	0.9	1.0

6. Directors and employees

	2024	2023
Average monthly number of people employed by the group		
UK regulated water & wastewater	**3,453**	3,589
Support services	**903**	872
	4,356	4,461

Following an internal review of the approach adopted in 2023, the methodology allocating the number of employees by activity has been refined. As a result, the presentation of the categories reported has changed compared with those reported last year.

	2024 £m	2023 £m
Total employment costs:		
Wages and salaries	**189.3**	175.4
Social security costs	**20.2**	19.7
Other pension costs	**17.4**	16.1
	226.9	211.2

Directors' emoluments

	2024 £m	2023 £m
Aggregate emoluments	**2.0**	2.4

The amounts in respect of the highest paid director are as follows:

	2024 £m	2023 £m
Aggregate emoluments	**1.0**	0.9

During 2024, none (2023: 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 2024 was £nil (2023: £nil).

During the year ended 31 March 2024, two (2023: two) directors 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

	2024	2023
	£m	£m
Finance income		
Interest on bank deposits	**9.0**	2.5
Net interest gain on pension scheme liabilities (note 18)	**2.7**	3.4
Interest receivable from parent company	**1.7**	6.5
Total finance income before fair value movements	**13.4**	12.4
Finance costs		
Interest payable on fixed rate and inflation guaranteed bonds and notes	**(189.5)**	(174.5)
Interest payable on fixed rate USD notes	**(3.1)**	(4.4)
Interest payable on fixed rate AUD bonds	**(0.2)**	(2.0)
Interest (payable)/receivable from swaps in hedge relationships	**(14.2)**	0.8
Amortisation of issue costs in respect of bonds and private notes	**(7.1)**	(4.8)
Total finance costs for bonds and private notes	**(214.1)**	(184.9)
Interest payable on bank borrowings	**(40.9)**	(28.0)
Index accretion on inflation linked borrowings	**(110.3)**	(239.6)
Interest payable on notes issued by Kelda Eurobond Co Limited[1]	**(54.7)**	(174.8)
Interest payable on leases	**(2.2)**	(1.2)
Commitment fees and miscellaneous interest	**(7.8)**	1.9
Interest payable to parent company[1]	**(195.6)**	-
	(625.6)	(626.6)
Finance costs before interest capitalisation and fair value movements		
Interest capitalised (note 10)	**54.8**	50.8
Finance costs before fair value movements	**(570.8)**	(575.8)
Fair value movements	**73.7**	804.6
Net fair value movements and finance (costs)/income	**(483.7)**	241.2

[1] On 27 June 2023, notes issued by Kelda Eurobond Co Limited that were held by shareholders of Kelda Holdings Limited were acquired by Kelda Holdings Limited in exchange for the issue of shares.

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:

	2024	2023
	£m	£m
Total fair value movements		
Movement in fair value of inflation linked swaps (see below)	**(69.3)**	(789.2)
Movement in fair value of RPI to CPI swaps	**3.4**	-
Movement in fair value of floating to fixed interest rate swaps	**(2.8)**	(12.7)
Movement in fair value of cross-currency interest rate swaps	**23.5**	(5.5)
Movement in fair value of debt associated with cross-currency interest rate swaps	**(23.1)**	3.7
Movement in fair value of fixed to floating interest rate swaps	**(13.1)**	47.6
Movement in the fair value of debt associated with fixed to floating interest rate swaps	**7.7**	(48.5)
Total fair value movements	**(73.7)**	(804.6)

The favourable movement in fair value of inflation linked swaps of £69.3m (2023: £789.2m favourable movement) includes a charge of £97.3m (2023: £144.6m) in relation to the RPI bullet accumulated as at 31 March 2024, interest receivable of £118.8m (2023: £85.2m), interest payable of £63.2m (2023: £62.9m) and other favourable fair value movements of £111.0m (2023: £911.5m favourable movement).

Movement in fair value of RPI to CPI swaps includes a £1.2m (2023: £nil) charge relating to net cash accretion paid.

Movement in fair value of floating to fixed interest rate swaps includes £0.2m (2023: £1.7m) net interest payable.

Movement in fair value of fixed to floating interest rate swaps includes £4.0m favourable movement (2023: £47.6m adverse movement) relating to swaps in hedge relationships with associated debt and £9.1m favourable movement (2023: £nil) relating to swaps not in hedge relationships. The movement in fair value of fixed to floating swaps not in hedge relationships includes £1.2m (2023: £nil) net interest receivable.

	2024	2023
	£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	**41.1**	782.3
Financial instruments held at amortised cost	**(527.5)**	(544.5)
Net interest gain on pension scheme liabilities (note 18)	**2.7**	3.4
Net fair value movements and finance (cost)/income	**(483.7)**	241.2

8. Tax charge on continuing operations

	2024	2023
	£m	£m
Current tax		
UK Corporation Tax at 25% (2023: 19%)	**(12.2)**	-
Total current tax charge to the statement of profit or loss	**(12.2)**	-
Deferred tax		
UK charge for origination and reversal of temporary differences	**16.4**	109.5
(Over)/under provision of tax in respect of previous periods	**(0.4)**	0.4
Effect of tax rate changes	**-**	34.6
Total deferred charge to the statement of profit or loss	**16.0**	144.5
Total tax charge to the statement of profit or loss	**3.8**	144.5
Tax relating to items charged to other comprehensive income		
Deferred tax:		
Actuarial gains in respect of defined benefit pension schemes	**(3.6)**	(15.6)
Movement in cash flow hedges	**(1.0)**	(9.2)
Revaluation of assets	**4.8**	(113.8)
Tax charge/(credit) in the statement of comprehensive income	**0.2**	(138.6)

The differences between the total current and deferred tax charge shown and the amount calculated by applying the rate of corporation tax of 25% (2023: 19%) to the (loss)/profit before tax is as follows:

	2024	2023
	£m	£m
(Loss)/profit before taxation	**(200.4)**	480.2
Current and deferred tax on (loss)/profit at the tax rate of 25% (2023: 19%)	**(50.1)**	91.2
Effects of:		
Expenses not deductible for tax purposes	**6.2**	4.2
Income not taxable	**(1.8)**	(3.1)
Super deduction expenditure	**-**	(5.7)
Difference in tax rates	**-**	34.6
Adjustments in relation to prior periods	**(0.4)**	0.4
Movement in deferred tax not recognised	**3.4**	(10.3)
Non-deductible interest	**10.3**	33.2
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	**3.8**	144.5

8. Tax charge on continuing operations *(continued)*

The Provisional Collection of Taxes Act, enacted on 17 March 2020, set the corporation tax rate at 19% from 1 April 2020.

The Finance Bill 2021, enacted on 24 May 2021 introduced an increase to 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:

	2024	2023
	£m	£m
Property, plant, and equipment	**(29.5)**	(13.2)
Financial instruments	**33.3**	238.4
Retirement benefit obligations	**10.7**	(2.3)
Losses	**1.5**	(78.4)
Deferred tax charge	**16.0**	144.5

9. Intangible assets

	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 £m	Goodwill £m	Total £m
Cost			
At 1 April 2022	265.0	1,800.3	2,065.3
Additions	86.8	-	86.8
Disposals	(10.0)	-	(10.0)
At 31 March 2023	**341.8**	**1,800.3**	**2,142.1**
Accumulated impairment and amortisation			
At 1 April 2022	89.6	750.0	839.6
Amortisation	33.3	-	33.3
Disposals	(10.0)	-	(10.0)
At 31 March 2023	**112.9**	**750.0**	**862.9**
Net book value at 31 March 2023	**228.9**	**1,050.3**	**1,279.2**

9. Intangible assets *(continued)*

Impairment tests for goodwill

Goodwill of £1,050.3m (2023: £1,050.3m) is all allocated to the UK regulated water services business segment. 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 (2023: 1.17x). 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:

	2024	2023
Long-term inflation RPI	**2.00%**	2.00%
Long-term inflation CPIH	**2.00%**	2.00%
Discount rate	**9.50%**	7.50%
Terminal value (multiple of RCV)	**1.10x**	1.17x

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 CMA redetermination finalised in March 2021. 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	Infrastructure assets £m	Plant and equipment £m	Under construction £m	Group total £m
Cost or valuation					
At 1 April 2023	2,119.7	5,964.9	2,797.1	668.7	11,550.4
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	(25.4)	(4.7)	(186.8)	-	(216.9)
Revaluation	18.6	-	-	-	18.6
Transfer to assets held for sale	(15.3)	-	-	-	(15.3)
At 31 March 2024	**2,155.4**	**6,124.2**	**2,758.4**	**983.4**	**12,021.4**
Accumulated depreciation					
At 1 April 2023	504.6	664.8	1,327.9	-	2,497.3
Charge for the year	50.6	106.3	167.0	-	323.9
Impairment	9.2	-	-	-	9.2
Disposals	(23.7)	(4.7)	(186.6)	-	(215.0)
Revaluation	(0.6)	-	-	-	(0.6)
Transfer to assets held for sale	(10.3)	-	-	-	(10.3)
At 31 March 2024	**529.8**	**766.4**	**1,308.3**	**-**	**2,604.5**
Net book value at 31 March 2024	**1,625.6**	**5,357.8**	**1,450.1**	**983.4**	**9,416.9**

During the year the group capitalised borrowing costs amounting to £54.8m (2023: £50.8m) on qualifying assets. Borrowing costs were capitalised at a weighted average rate of 5.35% (2023: 7.41%). Included in the net book value as at 31 March 2024 are £237.5m of capitalised borrowing costs (2023: £201.1m).

10. Property, plant, and equipment *(continued)*

	Land and Buildings £m	Infrastructure assets £m	Plant and equipment £m	Under construction £m	Group total £m
Cost or valuation					
At 1 April 2022	2,060.1	6,202.0	2,852.8	522.5	11,637.4
Additions at cost	12.4	144.1	28.4	349.4	534.3
Transfers on commissioning	57.6	80.8	64.8	(203.2)	-
Disposals	(7.9)	(3.3)	(148.9)	-	(160.1)
Revaluation	-	(458.7)	-	-	(458.7)
Transfer to assets held for sale	(2.5)	-	-	-	(2.5)
At 31 March 2023	**2,119.7**	**5,964.9**	**2,797.1**	**668.7**	**11,550.4**
Accumulated depreciation					
At 1 April 2022	461.8	557.2	1,329.5	-	2,348.5
Charge for the year	43.2	110.9	146.3	-	300.4
Impairment	7.7	-	0.9	-	8.6
Disposals	(7.9)	(3.3)	(148.8)	-	(160.0)
Transfer to assets held for sale	(0.2)	-	-	-	(0.2)
At 31 March 2023	**504.6**	**664.8**	**1,327.9**	**-**	**2,497.3**
Net book value at 31 March 2023	**1,615.1**	**5,300.1**	**1,469.2**	**668.7**	**9,053.1**

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)*

Right of use assets

	Land and Buildings £m	Infrastructure assets £m	Plant and equipment £m	Group total £m
Cost				
At 1 April 2022	9.2	37.3	10.5	57.0
Additions	0.2	-	5.2	5.4
Disposals	-	-	(1.2)	(1.2)
At 31 March 2023	**9.4**	**37.3**	**14.5**	**61.2**
Depreciation and impairment				
At 1 April 2022	2.4	3.2	3.8	9.4
Charge for the year	0.9	1.1	3.0	5.0
Disposals	-	-	(0.9)	(0.9)
At 31 March 2023	**3.3**	**4.3**	**5.9**	**13.5**
Net book value at 31 March 2023	**6.1**	**33.0**	**8.6**	**47.7**

10. Property, plant, and equipment *(continued)*

Revaluation - Infrastructure assets

The company's infrastructure assets were valued by management at 31 March 2024 and 31 March 2023 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 2024, no adjustment was made to the existing book value of infrastructure assets (2023: £458.7m loss). 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 group'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 valuation has resulted in a net increase to tangible assets of £10.0m, before deferred tax, which has been incorporated into the Financial Statements. The total gain of £19.2m was recognised in the revaluation reserve with £9.2m recognised as an impairment in the consolidated statement of profit or loss.

10. Property, plant, and equipment *(continued)*

Categories of assets revalued as at 31 March 2024 are as follows:

	Revalued amount £m	Historical cost basis £m
Infrastructure assets	5,389.8	4,450.3
Non-specialist properties	20.6	18.4
Rural estates	65.1	0.4
Residential properties	4.1	-
Net book value of assets revalued	**5,479.6**	**4,469.1**

Analysis of the net book value of revalued land and building is as follows:

	Revalued amount £m	Historical cost basis £m
1 April 2022	93.3	38.2
Additions	2.1	2.1
Depreciation and impairment	(12.7)	(9.9)
1 April 2023	**82.7**	**30.4**
Disposals	**(1.6)**	**(1.5)**
Revaluation gain	**19.2**	**-**
Depreciation and impairment	**(10.5)**	**(10.1)**
31 March 2024	**89.8**	**18.8**

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	7,247.6	6,242.2
Aggregate depreciation	(1,857.8)	(1,791.9)
Net book value of assets revalued	**5,389.8**	**4,450.3**

Asset held for sale

During the year, the group has transferred £8.2m (2023: £2.3m) from property, plant and equipment and right of use assets to assets held for sale relating to plans to sell two office buildings.

11. Trade and other receivables

	2024 £m	2023 £m
Amounts falling due within one year:		
Trade receivables	**229.2**	199.6
Provision for impairment of trade receivables	**(33.8)**	(34.9)
Net trade receivables	**195.4**	164.7
Prepayments	**12.8**	11.3
Accrued income	**95.4**	84.3
Other tax and social security	**17.3**	18.6
Other receivables	**20.5**	8.1
Amounts owed by parent company	**-**	1.2
	341.4	288.2
Amounts falling due after more than one year:		
Amounts owed by parent company	**-**	150.9

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 99.5% 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 2.7% (2023: 3.0%), calculated as the impairment write off as a percentage of revenue.

11. Trade and other receivables *(continued)*

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

As at 31 March 2023

		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	79.8	23.5	23.6	18.6	53.9	199.6
Expected credit loss (£m)	-	(12.6)	(3.0)	(4.2)	(3.2)	(11.9)	(34.9)
Expected credit loss (%)	-	15.8	12.8	17.8	17.2	22.1	17.5

The movement in the provision for impairment of trade receivables is as follows:

	2024 **£m**	2023 £m
Provision at 1 April	**34.9**	36.8
Charge in the year	**23.5**	21.3
Amounts written off	**(24.6)**	(23.2)
Provision at 31 March	**33.8**	34.9

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

	2024	2023
	£m	£m
Cash and cash equivalents	**151.6**	265.3
Short-term deposits	**18.8**	45.3
	170.4	310.6

At 31 March 2024, the group had available £962.0m (2023: £419.0m) of undrawn committed borrowing facilities.

(ii) Borrowings

	2024	2023
	£m	£m
Current borrowings:		
Other borrowings	**80.0**	393.0
Fixed rate AUD bonds	**-**	27.0
Fixed rate USD notes	**-**	142.9
	80.0	562.9
Non-current borrowings:		
Bank borrowings	**948.5**	929.2
Fixed rate guaranteed sterling bonds and notes due in less than 5 years	**500.5**	439.6
Fixed rate guaranteed sterling bonds and notes due in more than 5 years	**2,927.6**	2,776.0
Inflation linked guaranteed sterling bonds and notes due in more than 5 years	**1,701.2**	1,608.3
Floating rate notes due in more than 5 years	**74.5**	74.4
Notes issued by Kelda Eurobond Co Limited	**-**	1,954.8
	6,152.3	7,782.3
Total borrowings	**6,232.3**	8,345.2

'Other borrowings' includes the drawn portion of Yorkshire Water's Revolving Credit Facility.

12. Financing *(continued)*

(ii) Borrowings *(continued)*

Included within borrowings are:

	2024	2023
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%	**299.3**	299.1
Bonds repayable on 28 May 2027. Interest is charged at 5.5%	**7.1**	7.0
Bonds repayable on 28 May 2027. Interest is charged at 6.454%	**134.2**	133.5
Private notes repayable on 22 September 2028. Interest is charged at 2.03%	**59.9**	-
Total fixed rate guaranteed sterling bonds and notes due in less than 5 years	**500.5**	439.6
Fixed rate guaranteed sterling bonds and notes due in more than 5 years are made up of:		
Private notes repayable on 22 September 2028. Interest is charged at 2.03%	**-**	59.9
Bonds repayable on 1 August 2029. Interest is charged at 3.625%	**226.6**	221.0
Private notes repayable on 30 October 2029. Interest is charged at 3.54%	**85.3**	83.9
Bonds repayable 28 April 2030. Interest is charged at 5.25%	**247.4**	247.1
Bonds repayable on 17 April 2031. Interest is charged at 6.6011%	**262.8**	263.5
Private notes repayable on 22 September 2031. Interest is charged at 2.14%	**49.9**	49.8
Bonds repayable on 27 October 2032. Interest is charged at 1.75%	**345.6**	345.1
Private notes repayable on 22 September 2033. Interest is charged at 2.21%	**49.9**	49.8
Bonds repayable on 13 June 2033. Interest is charged at 4.965%	**84.3**	83.3
Private notes repayable on 28 September 2034. Interest is charged at 3.08%	**49.8**	49.8
Bonds repayable 28 April 2035. Interest is charged at 5.5%[1]	**270.9**	247.4
Private notes repayable on 22 September 2036. Interest is charged at 2.30%	**39.9**	39.8
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 5.5%	**189.5**	188.8
Private notes repayable on 28 September 2038. Interest is charged at 3.17%	**49.7**	49.7
Bonds repayable on 19 August 2039. Interest is charged at 6.375%	**301.9**	302.1
Bonds repayable on 18 April 2041. Interest is charged at 2.75%[1]	**624.3**	445.2
Total fixed rate guaranteed sterling bonds and notes due in more than 5 years	**2,927.6**	2,776.0

[1] On 27 June 2023, the group agreed terms for the issue of £300.0m of sustainability bonds, £25.0m of which matures in April 2035 with a coupon rate of 5.5%. The remaining £275.0m matures in April 2041 with a coupon rate of 2.75%. The bonds issued have been consolidated with the existing 5.5% bonds repayable April 2035 and 2.75% bonds repayable April 2041 respectively. The net proceeds of the new bonds, after taking into account discount on issuance and costs, was £202.1m. The bonds were issued on 4 July 2023.

12. Financing *(continued)*

(ii) Borrowings *(continued)*

	2024	2023
	£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]	**238.5**	221.8
Bonds repayable on 30 December 2039. Interest is charged at 2.718%[1]	**470.4**	449.1
Private notes repayable on 13 December 2041. Interest is charged at 2.16%[1]	**79.2**	75.5
Bonds repayable on 22 May 2042. Interest is charged at 1.803%[1 2]	**78.6**	74.7
Bonds repayable on 1 February 2050. Interest is charged at 1.8225%[1]	**111.2**	105.3
Bonds repayable on 1 August 2051. Interest is charged at 1.462%[1]	**206.5**	194.3
Bonds repayable on 1 February 2054. Interest is charged at 1.75756%[1]	**143.5**	135.6
Bonds repayable on 1 August 2056. Interest is charged at 1.46%[1]	**207.1**	195.0
Bonds repayable on 1 February 2058. Interest is charged at 1.7085%[1]	**166.2**	157.0
Total inflation linked guaranteed sterling bonds due in more than 5 years	**1,701.2**	1,608.3
Fixed rate USD notes due in less than 1 year are made up of:		
$150.0m USD fixed rate private notes payable on 13 December 2023. Interest is charged at 3.87%	**-**	119.1
$30.0m USD fixed rate private notes repayable on 5 January 2024. Interest is charged at 3.87%	**-**	23.8
Total fixed rate USD notes due in less than 1 year	**-**	142.9
Fixed rate AUD bonds due in less than 1 year are made up of:		
$50m AUD bonds repayable on 26 April 2023. Interest is charged at 5.875%.	**-**	27.0
Total fixed rate AUD bonds due in less than 1 year	**-**	27.0

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.

12. Financing *(continued)*

(ii) Borrowings *(continued)*

Non-current bank borrowings

Non-current bank borrowings are made up of:

(i) Bank loans:
- Loan facilities of £nil with maturities between 1 and 2 years.
- Loan facilities of £35.4m with maturities between 2 and 5 years.
- Loan facilities of £141.4m with maturities in more than 5 years.

(ii) Term loans facilities:
- An inflation (CPI) linked term facility of £123.7m due March 2029 with interest charged at 0.4745% multiplied by an index ratio and the principal amount is increased in line with CPI.
- A fixed rate term facility of £49.9m due July 2031 with interest charged at 2.881%.
- An inflation (CPI) linked term facility of £31.2m due July 2031 with interest charged at 0.8125% multiplied by an index ratio and the principal amount is increased in line with CPI.
- An inflation (CPI) linked term facility of £112.3m due August 2032 with interest charged at 0.695% multiplied by an index ratio and the principal amount is increased in line with CPI.

(iii) Bank loans held at Kelda Finance (No.2) Limited of £454.6m (£460.0m loans less £5.4m unamortised issue costs).

Notes issued by Kelda Eurobond Co Limited £nil (2023: £1,954.8m)

In 2023, the group had a liability of £1,954.8m relating to notes issued by Kelda Eurobond Co Limited under a Payment-in-Kind (PIK) facility agreement with a final redemption date of 8 February 2028. These notes were held by the shareholders of the group. On 27 June 2023, Kelda Holdings Limited acquired these notes from the shareholders in exchange for the issuance of shares in Kelda Holdings Limited. The notes are included within trade and other payables (note 14) at 31 March 2024.

13. Lease liabilities

	2024	2023
	£m	£m
Current	**6.3**	5.9
Non-current	**42.3**	48.2
	48.6	54.1

The group does not face a significant liquidity risk with regard to its lease liabilities.

14. Trade and other payables

	2024	2023
	£m	£m
Amounts falling due within one year:		
Trade payables	**221.6**	206.6
Capital payables	**179.6**	133.8
Social security and other taxes	**4.8**	4.5
Receipts in advance	**80.1**	74.7
Interest payable	**117.8**	104.6
Provisions for liabilities and charges (note 16)	**5.8**	-
Other payables	**-**	0.2
Amounts owed to parent company	**30.1**	-
	639.8	524.4
Amounts falling due after more than one year:		
Amounts owed to parent company	**2,199.3**	-
Other payables	**8.0**	8.4
	2,207.3	**8.4**

Trade and other payables falling 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 £2,199.3m (2023: £nil). The loan bears interest at a Sterling Overnight Index Average (SONIA) based rate plus 7% margin with a repayment date of 8 February 2028.

15. Deferred grants and contributions on depreciated assets

	2024	2023
	£m	£m
Amounts falling due within one year:		
Contributions to depreciated assets	**14.4**	13.0
Amounts falling due after more than one year:		
Contributions to depreciated assets	**595.4**	563.4

16. Provisions for liabilities and charges

	Insurance £m	Regulatory £m	Other £m	Total £m
At 1 April 2023	8.0	6.0	2.6	16.6
Charged to income statement	19.6	4.0	-	23.6
Utilised in the year	(4.4)	(4.2)	-	(8.6)
Provisions reversed during the year	-	-	(1.9)	(1.9)
At 31 March 2024	**23.2**	**5.8**	**0.7**	**29.7**

	2024 £m	2023 £m
Included in:		
Current liabilities (note 14)	**5.8**	-
Non-current liabilities	**23.9**	16.6
	29.7	16.6

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 £m	PPE £m	Financial instruments £m	Pension obligations £m	Total £m
At 1 April 2022	-	1,355.1	(610.3)	23.6	768.4
(Credit)/charge to statement of profit or loss	(78.4)	(13.2)	238.4	(2.3)	144.5
Credit to equity	-	(113.8)	(9.2)	(15.6)	(138.6)
At 1 April 2023	(78.4)	1,228.1	(381.1)	5.7	774.3
Charge/(credit) to statement of profit or loss	1.5	(29.5)	33.3	10.7	16.0
Charge/(credit) to equity	-	4.8	(1.0)	(3.6)	0.2
At 31 March 2024	**(76.9)**	**1,203.4**	**(348.8)**	**12.8**	**790.5**

17. Deferred income tax liabilities *(continued)*

The group has an unrecognised deferred tax asset of £86.0m (2023: £82.6m) 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.

Pillar Two/Domestic Top-up Tax legislation has been enacted that will be effective for the Kelda Group of companies for the financial year beginning 1 April 2024. Due to its size, the Group is in scope of the legislation and has performed an assessment of its potential exposure to future Pillar Two income taxes for the year ending 31 March 2025.

The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements available for the constituent entities in the Group. Based on the assessment, the Pillar Two effective tax rates in the UK in which the Group operates are above 15% and management is not currently aware of any circumstances under which this might change. Therefore, the Group does not expect a potential exposure to Pillar Two top-up taxes.

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. The Group will continue to assess the application of the Pillar 2 rules to the group noting that the rules continue to be subject to legislative developments.

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 representatives of the group and KGPP participants 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 pay contributions through a salary sacrifice arrangement. The group contributed 26.5% from 1 July 2022.

An accrual for unfunded benefits of £9.1m has been included in the group's Financial Statements at 31 March 2024 (2023: £9.6m).

18. Pensions *(continued)*

(i) Characteristics of and risks associated with the group's plan *(continued)*

Risk exposure of the defined benefit 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.

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.

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.

18. Pensions _(continued)_

(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.

	2024	2023
	%	%
Inflation (RPI)	**3.25**	3.30
Inflation (CPI)	**2.75**	2.75
Rate of increase in salaries	**3.00**	3.00
Discount rate for plan liabilities	**5.05**	4.90
Life expectancy for a male pensioner aged 60 (in years)	**26.20**	26.50
Projected life expectancy at age 65 for male aged 40 (in years)	**27.20**	27.50
Life expectancy for a female pensioner aged 60 (in years)	**28.60**	28.80
Projected life expectancy at age 65 for female aged 40 (in years)	**29.60**	29.70

(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 £86.0m (2023: £51.2m) is presented in the consolidated statement of financial position under non-current assets.

	2024	2023
	£m	£m
Fair value of plan assets		
Equities	**-**	39.2
Bonds	**305.1**	201.1
Other	**732.0**	851.7
Total value of plan assets	**1,037.1**	1,092.0
Present value of plan liabilities	**(951.1)**	(1,040.8)
Post-employment benefits surplus	**86.0**	51.2

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.

18. Pensions *(continued)*

(iv) Analysis of the amounts included within the Financial Statements

	2024	2023
	£m	£m
Analysis of amount charged to operating costs:		
Current service cost	**6.6**	10.2
Past service cost	**(46.5)**	-
Net interest credit on pension plan	**(2.7)**	(3.4)
Administrative expenses and taxes	**3.3**	4.7
Amounts (credited)/charged to the consolidated statement of profit or loss	**(39.3)**	11.5
Analysis of amounts recognised in group statement of comprehensive income:		
Return on plan assets (excluding interest income)	**56.8**	419.5
Effect of changes in demographic assumptions	**(8.2)**	(10.1)
Effect of changes in financial assumptions	**(39.8)**	(446.1)
Effect of changes in experience assumptions	**6.2**	100.6
Actuarial loss recognised in the group statement of comprehensive income	**15.0**	63.9
Total defined benefit (credit)/cost recognised in the consolidated statement of profit or loss and statement of comprehensive income	**(24.3)**	75.4

Actuarial gains and losses are recognised as they occur in the group statement of comprehensive income.

The total employer contributions to the defined benefit plans for the year ending 31 March 2024 were £10.5m (2023: £10.3m). The total employer contributions to the defined contribution plan for the year ending 31 March 2024 were £6.7m (2023: £6.0m).

18. Pensions *(continued)*

(v) Reconciliation of opening and closing retirement benefit liabilities and assets

	2024 £m	2023 £m
Movements in the defined benefit obligation		
At 1 April	**(1,040.8)**	(1,411.0)
Current service cost	**(6.6)**	(10.2)
Past service costs	**46.5**	-
Interest expense	**(49.6)**	(38.6)
Remeasurements:		
Actuarial gains - demographic assumptions	**8.2**	10.1
Actuarial gains - financial assumptions	**39.8**	446.1
Experience adjustment	**(6.2)**	(100.6)
Benefits paid	**57.6**	63.4
At 31 March	**(951.1)**	(1,040.8)
The total defined benefit obligation comprises:		
Amounts owing to active members	**(188.0)**	(196.7)
Amounts owing to deferred members	**(142.5)**	(160.6)
Amounts owing to retired members	**(620.6)**	(683.5)
Total defined benefit obligation at 31 March	**(951.1)**	(1,040.8)

	2024 £m	2023 £m
Changes in the fair value of plan assets:		
At 1 April	**1,092.0**	1,527.3
Return on plan assets (excluding interest income)	**(56.8)**	(419.5)
Interest income	**52.3**	42.0
Employer contributions	**10.5**	10.3
Benefits paid	**(57.6)**	(63.4)
Administrative expenses paid from plan assets	**(3.3)**	(4.7)
At 31 March	**1,037.1**	1,092.0

(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 2024 £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	1,037.1	1,037.1	1,037.1	1,037.1
Present value of defined benefit obligation	(951.1)	(923.0)	(929.0)	(978.0)
Surplus in the plan	86.0	114.1	108.1	59.1

Actuarial assumptions used in sensitivity analysis:

	Base 2024 %	**Increase 0.25% discount rate** %	**Decrease 0.25% inflation rate** %	**Mortality minus one year age rating** %
Discount rate	5.05	5.30	5.05	5.05
Rate of RPI assumption	3.25	3.25	3.00	3.25
Rate of CPI assumption	2.75	2.75	2.50	2.75
Rate of salary increase	3.00	3.00	2.75	3.00

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:

	2024 Years	2023 Years
Duration of the defined benefit obligation	12	13

18. Pensions *(continued)*

(vi) Sensitivity analysis *(continued)*

The following table provides information on the distribution and timing of benefit payments:

	£m
Within 12 months	59.5
Between 1 and 2 years	63.4
Between 2 and 3 years	65.5
Between 3 and 4 years	67.6
Between 4 and 5 years	69.8
Between 5 and 10 years	384.6
Between 10 and 12 years	171.9

Funding arrangements

The last triennial funding valuation of the KGPP was carried out at 31 March 2021 and agreed in June 2022; the next valuation is due at 31 March 2024 but has not yet been finalised. In the year to 31 March 2022 the group made contributions based on pensionable pay and also paid lump sum deficit recovery contributions. From 1 April 2022, contributions are made solely for new benefits accrued by active members in the future and these contributions increased from 19.5% to 26.5% of pensionable pay with effect from 1 July 2022.

Other considerations

In June 2023, the UK High Court issued a ruling in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes. This case may have implications for other defined benefit schemes in the UK, although is subject to possible appeal in 2024. The Group are aware of this legal ruling and are monitoring developments in order to ensure any potential impacts are captured appropriately once the case has concluded.

19. Equity and other reserves

Allotted, called up and fully paid
As at 31 March 2024

	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**

Allotted, called up and fully paid
As at 31 March 2023

	Number	1p shares	Total
		£	£
Ordinary shares	750,000,001	7,500,000	7,500,000
Share premium			742,500,000
Total			750,000,000

Share issue: During the 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.

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 OCI 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:

	2024 Less than one year £m	**2024 More than one year £m**	**2024 Total £m**	2023 Less than one year £m	2023 More than one year £m	2023 Total £m
Derivative financial assets:						
Inflation linked swaps	**-**	**240.8**	**240.8**	-	222.6	222.6
Fixed to floating interest rate swaps	**8.1**	**-**	**8.1**	-	-	-
Floating to fixed interest rate swaps	**-**	**13.6**	**13.6**	-	12.8	12.8
Cross-currency interest rate swaps	**-**	**-**	**-**	30.0	-	30.0
Energy derivatives	**1.0**	**0.1**	**1.1**	1.0	3.6	4.6
Total derivative financial assets	**9.1**	**254.5**	**263.6**	31.0	239.0	270.0
Derivative financial liabilities:						
Inflation linked swaps	**(26.2)**	**(1,704.9)**	**(1,731.1)**	-	(1,892.0)	(1,892.0)
RPI to CPI swaps	**-**	**(2.2)**	**(2.2)**	-	-	-
Fixed to floating interest rate swaps	**-**	**(30.6)**	**(30.6)**	-	(31.3)	(31.3)
Floating to fixed interest rate swaps	**-**	**(4.9)**	**(4.9)**	-	(6.6)	(6.6)
Cross-currency interest rate swaps	**-**	**-**	**-**	(6.7)	-	(6.7)
Total derivative financial liabilities	**(26.2)**	**(1,742.6)**	**(1,768.8)**	(6.7)	(1,929.9)	(1,936.6)
Net debt:						
Cash and short-term deposits	**170.4**	**-**	**170.4**	310.6	-	310.6
Borrowings	**(80.0)**	**(6,152.3)**	**(6,232.3)**	(562.9)	(7,782.3)	(8,345.2)
Total net debt	**90.4**	**(6,152.3)**	**(6,061.9)**	(252.3)	(7,782.3)	(8,034.6)

20. Financial instruments *(continued)*

The fair value movements on derivative instruments recognised in the consolidated statement of profit or loss are shown in note 7.

Movement in the fair value of inflation linked swaps

Inflation linked swaps have been valued at the reporting date at fair value, which at 31 March 2024 resulted in a net liability of £1,490.3m (2023: £1,669.4m liability), comprising £240.8m assets and £1,731.1m liabilities (2023: £222.6m assets and £1,892.0m liabilities). Included within the net liability are net assets of £63.0m (2023: £65.8m) relating to day one deferred gains and losses recognised on the restructuring of certain inflation linked swaps in prior years. This year has seen the liability on the inflation linked swaps decrease by £179.1m (2023: £812.7m decrease). Of this amount, £69.3m relates to the fair value income as disclosed in note 7 (2023: £789.2m income), £54.0m relates to net interest received on inflation linked swaps (2023: £18.3m received) and £140.7m relates to an accretion payment made in the year (2023: £41.8m expense).

During the year, inflation linked swaps with a notional value of £176.9m and original maturity year of 2026 were voluntarily terminated early.

Movement in the fair value of RPI to CPI swaps

The group holds swaps with a notional value of £300.0m at 31 March 2024 (2023: £nil) that 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 2024 was £nil (2023: £nil). These swaps are recognised as a fair value liability of £2.2m at 31 March 2024 (2023: £nil). Hedge accounting has not been applied. There has been £1.2m net cash accretion paid in year to 31 March 2024 resulting in £3.4m of expense (2023: £nil) to the consolidated statement of profit or loss.

Movement in the fair value of floating to fixed interest rate swaps

The group holds a number of floating to fixed rate swaps. The fair value movement of floating to fixed interest rate swaps has resulted in £2.8m income to the consolidated statement of profit or loss (2023: £12.7m income).

Movement in the fair value of cross-currency interest rate swaps and associated debt

Cross-currency interest rate swaps previously held by the group matured in the year. The movement in the valuation of the cross-currency interest rate swaps has resulted in £23.5m expense (2023: £5.5m income) to the consolidated statement of profit or loss. This is offset by the fair value movement in the associated debt of £23.1m income (2023: £3.7m expense). The net impact to the consolidated statement of profit or loss is £0.4m expense (2023: £1.8m income).

20. Financial instruments *(continued)*

Movement in the fair value of fixed to floating interest rate swaps and associated debt

The group holds £1,430.0m notional value (2023: £430.0m) of fixed to floating interest rate swaps. These swaps are recognised as a net fair value liability of £22.5m at 31 March 2024 (2023: £31.3m liability).

Fair value hedge accounting has been applied to fixed to floating interest rate swaps with a notional value of £430.0m (2023: £430.0m). The carrying value of associated debt designated in the hedge relationships has been adjusted for the hedged risk. The fair value movement of fixed to floating interest rate swaps has resulted in £4.0m income (2023: £47.6m expense) to the consolidated statement of profit or loss. The fair value movement of associated debt is £7.7m expense (2023: £48.5m income). This is a total impact to the consolidated statement of profit or loss of £3.7m of expense (2023: £0.9m income). This represents ineffectiveness in the hedge relationships due to factors such as credit risk.

Hedge accounting has not been applied to fixed to floating interest rate swaps with a notional value of £1,000.0m which were entered into during the year. The fair value movement of the fixed to floating interest rate swaps not in a hedge relationship has resulted in £9.1m income (2023: £nil) to the profit and loss account.

20. Financial instruments *(continued)*

(a) 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 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. 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
	31 March 2024	31 March 2024	31 March 2024	31 March 2024
Notional amount (GBP)	-	-	495.0	495.0
Average interest rate – fixed to floating interest rate swaps	-	-	7.6%	-
Average interest rate – Floating to fixed interest rate swaps	-	-	2.0%	-

(b) 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 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 heightened in the year ended 31 March 2024 due to the backdrop of the cost-of-living crisis 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 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.

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.

20. Financial instruments *(continued)*

(b) Financial risks *(continued)*

Credit risk *(continued)*

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 2024 was £nil (2023: £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:

	2024	2023
	£m	£m
Cash and short-term deposits (note 12)	**170.4**	310.6
Trade and other receivables (note 11)	**341.4**	439.1
Derivative financial assets	**263.6**	270.0

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 2024 the group had £1,132.4m of available liquidity (2023: £729.6m) which comprised £170.4m in available cash and short-term deposits (2023: £310.6m) and £962.0m of undrawn committed borrowing facilities (2023: £419.0m).
The liquidity profile of the group's derivative financial instruments and non-derivative financial liabilities at 31 March 2024 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)*

(b) 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 loans	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 by parent	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	221.6	-	-	-	-	-	221.6
Other payables	264.5	8.1	-	-	-	-	272.6
	486.1	8.1	-	-	-	-	494.2

20. Financial instruments *(continued)*

(b) Financial risks *(continued)*

Liquidity risk *(continued)*

Year ended 31 March 2023

	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 loans	7.0	7.0	7.0	7.0	7.0	231.0	266.0
Guaranteed sterling bonds and notes	100.4	134.1	128.9	428.9	262.0	3,562.2	4,616.5
USD notes	150.4	-	-	-	-	-	150.4
AUD bonds	27.2	-	-	-	-	-	27.2
	285.0	141.1	135.9	435.9	269.0	3,793.2	5,060.1
Floating rate							
Inflation linked guaranteed sterling bonds and notes	36.1	36.1	36.1	36.1	36.1	2,285.6	2,466.1
Inflation linked bank borrowings	3.9	3.9	3.9	3.9	3.9	447.3	466.8
Other bank borrowings	433.5	129.3	31.0	55.1	167.0	277.6	1,093.5
Notes issued by Kelda Eurobond	221.1	221.7	222.3	220.5	2,175.3	-	3,060.9
	694.6	391.0	293.3	315.6	2,382.3	3,010.5	7,087.3
Derivative financial instruments							
Inflation linked swaps	(44.5)	(24.4)	115.9	145.4	31.0	1,157.2	1,380.6
Fixed to floating interest rate swaps	7.4	9.1	8.3	8.2	8.2	16.3	57.5
Cross-currency interest rate swaps	(25.4)	-	-	-	-	-	(25.4)
Floating to fixed interest rate swaps	(2.2)	(2.2)	(2.2)	(2.2)	(1.7)	(1.1)	(11.6)
	(64.7)	(17.5)	122.0	151.4	37.5	1,172.4	1,401.1
Non-interest bearing financial liabilities							
Trade payables	206.6	-	-	-	-	-	206.6
Other payables	213.2	8.4	-	-	-	-	221.6
	419.8	8.4	-	-	-	-	428.2

20. Financial instruments *(continued)*

(b) 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:

	2024	2023
	£m	£m
Impact on profit before tax		
1% increase in inflation leading to a decrease in profit	**11.6**	11.5
1% decrease in inflation leading to an increase in profit	**(11.6)**	(11.3)
1% increase in SONIA leading to a decrease in profit	**28.1**	16.4
1% decrease in SONIA leading to an increase in profit	**(26.3)**	(16.6)

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 £1,112.1m (2023: £1,289.0m) and have an average life to the maturity date of 26 years. The nominal value of the floating interest rate to fixed interest rate swaps is £197.0m (2023: £197.0m) with an average remaining life of seven years.

The fixed interest rate to floating rate swaps with nominal value of £1,000.0m (2023: £nil) and have an average remaining life of one year.

(c) Fair values of financial assets and financial liabilities

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;

20. Financial instruments *(continued)*

(c) Fair values of financial assets and financial liabilities *(continued)*

- 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 Debit Value Adjustment (DVA) and Funding Value Adjustment (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.

Financial assets/ financial liabilities	**Fair value as at 31 March**		**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
	2024	**2023**		
1. Interest rate swaps, cross-currency swaps, inflation linked swaps, energy derivatives, bonds and notes	Assets: £241.5m Liabilities: £1,125.8m	Assets: £247.6m Liabilities: £1,278.1m	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 counter-party 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 loans and overdrafts	Liabilities: £771.5m	Liabilities: £763.2m	Level 2	Fair values of bank loans and overdrafts are calculated by discounting expected future cash flows using prevailing rates including credit spreads observable in publicly traded instruments.

20. Financial instruments *(continued)*

(c) Fair values of financial assets and financial liabilities *(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**
	2024	**2023**				
3. Inflation linked swaps, RPI to CPI swaps, bank loans and overdrafts	Assets: £15.0m Liabilities: £1,269.0m	Assets: £12.0m Liabilities: £1,443.3m	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 loans and overdrafts: • Level 3 instrument valuations relate to CPI linked transactions where inputs are from a less liquid market.	Unobservable inputs contribute on average to 21.4% of the fair value of level 3 inflation linked swaps, equalling a total of £218.9m 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 £66.2m higher or lower. A ten basis point shift in the RPI to CPI wedge would give rise to a £3.0m higher or lower valuation of bank loans, RPI to CPI swaps and overdrafts.

The following table provides the fair values of the group's financial assets and liabilities at 31 March 2024.

20. Financial instruments *(continued)*

(c) Fair values of financial assets and financial liabilities *(continued)*

	2024 Level 1 £m	**2024 Level 2 £m**	**2024 Level 3 £m**	2023 Level 1 £m	2023 Level 2 £m	2023 Level 3 £m
Primary financial instruments financing the group's operations						
Financial assets held at amortised cost						
Loans to associates/joint ventures	**-**	**2.5**	**-**	-	3.0	-
Financial assets measured at Fair Value Through Profit and Loss						
Inflation linked swaps	**-**	**225.8**	**15.0**	-	210.6	12.0
Fixed to floating interest rate swaps	**-**	**8.1**	**-**	-	-	-
Cross-currency interest rate swaps	**-**	**-**	**-**	-	30.0	-
Floating to fixed interest rate swaps	**-**	**7.6**	**-**	-	7.0	-
Financial liabilities measured at Fair Value Through Profit and Loss or in fair value hedge relationships						
Floating to fixed interest rate swaps	**-**	**(4.9)**	**-**	-	(6.6)	-
Cross-currency interest rate swaps	**-**	**-**	**-**	-	(6.7)	-
Inflation linked swaps	**-**	**(694.0)**	**(1,037.1)**	-	(675.0)	(1,217.0)
RPI to CPI swaps	**-**	**-**	**(2.2)**	-	-	-
Fixed to floating interest rate swaps	**-**	**(30.6)**	**-**	-	(31.3)	-
Fixed rate USD bonds and notes	**-**	**-**	**-**	-	(142.9)	-
Fixed rate AUD bonds	**-**	**-**	**-**	-	(27.1)	-
Fixed rate sterling bonds and notes	**-**	**(396.3)**	**-**	-	(388.5)	-
Financial assets measured at Fair Value Through Other Comprehensive Income						
Energy derivative	**-**	**1.1**	**-**	-	4.6	-
Floating to fixed interest rate swaps	**-**	**6.0**	**-**	-	5.8	-
Financial liabilities held at amortised cost not in fair value hedge relationships						
Fixed rate sterling bonds and notes	**(2,489.1)**	**(204.8)**	**-**	(2,323.0)	(204.7)	-
Inflation linked sterling bonds	**(493.7)**	**(1,105.4)**	**-**	(299.4)	(738.1)	-
Floating rate sterling notes	**-**	**(73.3)**	**-**	-	(76.2)	-
Bank loans and overdrafts	**(80.0)**	**(771.5)**	**(229.7)**	(393.0)	(763.2)	(226.3)
Bonds issued by Kelda Eurobond Co Limited[1]	**-**	**-**	**-**	-	(2,430.5)	-
Intercompany payable	**-**	**(2,649.0)**	**-**	-	-	-

[1] On 27 June 2023, notes issued by Kelda Eurobond Co Limited that were held by shareholders of Kelda Holdings Limited were acquired by Kelda Holdings Limited in exchange for an intercompany payable.

20. Financial instruments *(continued)*

(c) Fair values of financial assets and financial liabilities *(continued)*

Reconciliation of financial liabilities measured at fair value using level 3 inputs :

	Inflation and RPI to CPI swaps £m
Balance at 1 April 2023	1,205.0
Total unrealised gains or losses:	
- included within finance costs in the profit or loss	6.9
Transfers from Level 3 to Level 2	(187.6)
Balance at 31 March 2024	**1,024.3**

The following table shows the sensitivity of fair values to reasonably possible alternative assumptions as at 31 March 2024:

	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	19.1	(19.1)
Ten basis point change to credit curve assumption	11.1	(11.1)
10% change in recovery rate assumption	36.0	(36.0)

The fair value of net derivative financial liabilities of £1,505.2m would be £19.6m (2023: £25.0m) higher or lower were the counter-party funding assumption to change by ten basis points. The fair value of net derivative financial liabilities of £1,505.2m would be £12.8m (2023: £15.5m) higher or lower were the credit curve assumption to change by ten basis points. The fair value of net derivative financial liabilities of £1,505.2m would be £41.5m (2023: £57.8m) 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)*

(c) Fair values of financial assets and financial liabilities *(continued)*

Inflation linked swaps

The group holds a number of inflation linked swaps, with a notional value of £1,112.1m (2023: £1,289.0m). 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.

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 2024 was £473.2m (2023: £501.7m). Discounting the bullet to present value using an appropriate rate applied to the specific life of the inflation linked swaps decreased it by £217.0m (2023: £201.0m) to £256.2m (2023: £300.7m).

The group's portfolio of inflation linked swaps gave rise to a net liability of £1,490.3m (2023: £1,669.4m net liability) at the year-end date, comprising £240.8m assets and £1,731.1m liabilities (2023: £222.6m assets, £1,892.0m liabilities). Also included within the net liability are net assets of £63.0m (2023: £65.8m) relating to unamortised day one deferred gains and losses recognised on the restructuring of certain inflation linked swaps in prior years.

During the year, inflation linked swaps with a notional value of £176.9m and original maturity year of 2026 were voluntarily terminated early.

The valuation model used by the group to determine the fair value of the inflation linked swap portfolio as at 31 March 2024 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 £199.5m (2023: £260.0m).

RPI to CPI swaps

Yorkshire Water holds swaps with a notional value of £300.0m (2023: £nil) that 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 2024 was £nil (2023: £nil). These swaps are recognised as a fair value liability of £2.2m at 31 March 2024 (2023: £nil). Hedge accounting has not been applied. There has been £1.2m net cash accretion paid in the year to 31 March 2024 resulting in £3.4m of expense (2023: £nil) to the consolidated statement of profit or loss.

20. Financial instruments *(continued)*

(c) Fair values of financial assets and financial liabilities *(continued)*

Interest rate swaps

The group entered into several multi-currency interest rate swap transactions involving Fixed USD notes and one AUD bond, referred to as cross-currency interest rate swaps between 2011 and 2013. These swaps matured during the year. As detailed in this note above, the net impact of the fair value movement on the swaps and associated debt resulted in a net income of £0.4m (2023: £1.8m income) to the consolidated statement of profit or loss.

The group holds £1,430.0m (2023: £430.0m) notional value of fixed to floating interest rate swaps. These swaps are recognised at a net fair value liability of £22.5m (2023: £31.3m liability).

Fair value hedge accounting has only been applied to fixed to floating interest rate swaps with a notional value of £430.0m (2023: £430.0m). These swaps are recognised as a fair value liability of £30.6m (2023: £31.3m liability). The net impact of the fair value movement of the fixed to floating interest rate swaps and the associated bonds has resulted in a £3.7m expense (2023: £0.9m income) to the consolidated statement of profit or loss.

There is a change in fair value of the associated bonds of £7.7m expense (2023: £48.5m income). The expense relating to the fair value of the individual associated bonds is as follows: £5.3 expense (2023: £24.7m income) of change in fair value of associated bonds relates to the 3.625% 2029 guaranteed bonds with a fair value of £227.9m (2023: £221.2m) at 31 March 2024. £1.0m expense (2023: £13.5m income) in fair value of associated bonds relates to the 4.965% 2033 Class B guaranteed bonds with a fair value of £84.3m (2023: £83.4m) at 31 March 2024. The remaining £1.4m expense (2023: £10.3m income) in fair value of associated bonds relates to the 3.54% 2029 guaranteed bond issued during the year with a fair value of £84.0m (2023: £83.9m) at 31 March 2024.

Hedge accounting has not been applied to fixed to floating interest rate swaps with a notional value of £1,000.0m (2023: £nil). These swaps are recognised as a fair value asset of £8.1m (2023: £nil). The fair value movement of the fixed to floating interest rate swaps not in a hedge accounting relationship has resulted in £9.1m (2023: £nil) income to the consolidated statement of profit or loss.

The group holds £197.0m (2023: £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 recognised at a fair value liability of £4.9m (2023: £6.6m liability). Hedge accounting has not been applied. The movement in the fair value of floating to fixed rate swaps resulted in an expense of £0.7m recognised in the consolidated statement of profit or loss (2023: £6.0m income).

In addition, Kelda Finance (No.2) Limited holds swaps with a notional value of £152.0m recognised at a fair value asset of £13.6m (2023: £12.8m). Swaps with a notional value of £65.0m have been designated in a cash flow hedge relationship with a £65.0m bank loan drawn in April 2022. The net fair value loss on these swaps of £0.4m (2023: £5.4m gain) has been recognised in the consolidated statement of comprehensive income and expense. The remaining swaps with £87.0m notional value have not been designated in hedge relationships. The net fair value expense of £2.2m (2023: £6.7m income) has been recognised in the consolidated statement of profit or loss.

20. Financial instruments *(continued)*

(d) 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 93.6% (2023: 108.7%). At the Kelda finance group level, the proportion was 90.7% (2023: 104.3%) at the financial year end.

Fair value hedges

Cross-currency interest rate swap contracts, exchanging fixed rate interest for floating rate interest on the group's USD notes matured in the year, resulting in an asset value of £nil (2023: asset £30.0m). Cross-currency interest rate swap contracts, exchanging fixed rate interest for floating rate interest on the group's AUD bond matured in the year, resulting in a liability of £nil (2023: liability £6.7m). The net impact of the fair value movements of the currency interest rate swaps and the associated bonds has resulted in £0.4m of income (2023: £1.8m income) to the consolidated statement of profit or loss.

The group holds £1,430.0m (2023: £430.0m) notional value of fixed to floating rate interest swaps. These swaps are recognised at a net fair value liability of £22.5m (2023: £31.3m). Fair value hedge accounting has only been applied to fixed to floating interest rate swaps with a notional value of £430.0m (2023: £430.0m). These swaps are recognised as a fair value liability of £30.6m (2023: £31.3m). The net impact of the fair value movement of the fixed to floating interest rate swaps and the associated bonds has resulted in £3.7m expense (2023: 0.9m income) to the consolidated statement of profit or loss. Hedge accounting has not been applied to fixed to floating interest rate swaps with a notional value of £1,000.0m (2023: nil). These swaps are recognised as a fair value asset of £8.1m (2023: nil). The fair value movement of the fixed to floating interest rate swaps not in a hedge relationship has resulted in £9.1m income (2023: nil) to the consolidated statement of profit or loss.

Cash flow hedges

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. The movement in the derivatives of £3.5m from £4.6m assets to £1.1m (2023: movement of £42.3m from £46.9m assets to £4.6m assets) has been recognised in other comprehensive income.

The group holds seven floating to fixed interest rate swaps with a notional value of £197.0m of which swaps with a notional value of £65.0m have been designated in a cash flow hedge relationship with a £65.0m bank loan drawn in April 2022. Hedge accounting has been applied. The fair value loss of £0.4m (2023: £5.4m gain) has been recognised in other comprehensive income.

20. Financial instruments *(continued)*

(d) Hedges *(continued)*

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.

Impact of hedging instruments designated in hedging relationships

The impact of hedging instruments designated in hedging relationships as of 31 March 2024 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 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**

20. Financial instruments *(continued)*

(d) 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**
		Assets	**Liabilities**	
	MWh	**£m**	**£m**	
Cash flow hedges *(continued)*	**31 March 2024**	**31 March 2024**	**31 March 2024**	**31 March 2024**
Energy derivatives	**92.232**	**1.1**	**-**	**Derivative financial assets**

	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 2023	31 March 2023	31 March 2023	31 March 2023	31 March 2023
Fixed to floating interest rate swaps	430.0	-	(31.3)	Derivative financial liabilities	(48.6)
Cross-currency interest rate swaps (USD)	113.1	30.0	-	Derivative financial assets	7.1
Cross-currency interest rate swaps (AUD)	33.8	-	(6.7)	Derivative financial liabilities	(2.0)

20. Financial instruments *(continued)*

(d) 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
Cash flow hedges	31 March 2023	31 March 2023	31 March 2023	31 March 2023	31 March 2023
Floating to fixed interest rate swaps	65.0	5.8	-	Derivative financial assets	5.8

	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
		Assets	Liabilities	
	MWh	£m	£m	
Cash flow hedges	31 March 2023	31 March 2023	31 March 2023	31 March 2023
Energy derivatives	131,280	4.6	-	Derivative financial assets

20. Financial instruments *(continued)*

(d) Hedges *(continued)*

Impact of hedged items designated in hedging relationships

The impact of hedged items designated in hedging relationships as of 31 March 2024, 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
	2024	2024	2024	2024	2024	2024	2024	2024	2024
Fair value hedges									
Interest rate risk hedged by fixed to floating swaps	-	(396.2)	31.6	-	-	-	Borrowings	7.7	-
Interest rate risk hedged by cross-currency interest rate swaps (USD)	-	-	-	-	-	-	Borrowings	(29.8)	-
Interest rate risk hedged by cross-currency interest rate swaps (AUD)	-	-	-	-	-	-	Borrowings	6.7	-

20. Financial instruments *(continued)*

(d) 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 movement
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities			
	£m	£m	£m	£m	£m	£m	£m	£m	£m
	2024	2024	2024	2024	2024	2024	2024	2024	2024
Cash flow hedges									
Interest rate risk hedged by floating to fixed swaps	-	(6.0)	-	-	-	-	Borrowings	(0.2)	(0.4)

20. Financial instruments *(continued)*

(d) 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
	2023	2023	2023	2023	2023	2023	2023	2023	2023
Fair value hedges									
Interest rate risk on fixed to floating swaps	-	(388.5)	39.3	-	-	-	Borrowings	(48.5)	-
Interest rate risk on cross-currency interest rate swaps (USD)	-	(142.9)	-	(29.8)	-	-	Borrowings	5.8	-
Interest rate risk on cross-currency interest rate swaps (AUD)	-	(27.1)	6.7	-	-	-	Borrowings	(2.1)	-

20. Financial instruments *(continued)*

(d) 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
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities			
	£m	£m	£m	£m	£m	£m	£m	£m	£m
	2023	2023	2023	2023	2023	2023	2023	2023	2023
Cash flow hedges									
Interest rate risk hedged by floating to fixed swaps	-	(5.8)	-	-	-	-	Borrowings	(5.8)	5.4

20. Financial instruments *(continued)*

e) 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**
	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)**

	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
	2023	2023	2023	2023
	£m	£m	£m	£m
Derivative financial assets	270.0	(216.7)	-	53.3
Derivative financial liabilities	(1,936.6)	216.7	-	(1,719.9)

20. Financial instruments *(continued)*

f) 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:

	2024	2023
	£m	£m
Balance at 1 April	**(65.8)**	(76.1)
Deferred 'day one' amounts realised during the year	**2.8**	10.3
Balance at 31 March	**(63.0)**	(65.8)

21. Additional cash flow information

Analysis of movement in net debt from continuing operations

	At 31 March 2022 £m	Non-cash movements £m	Cash movements £m	At 31 March 2023 £m	**Non-cash movements £m**	**Cash movements £m**	**At 31 March 2024 £m**
Cash and cash equivalents	52.0	-	258.6	310.6	**-**	**(140.2)**	**170.4**
Debt due within one year	(2,420.9)	1,618.3	239.7	(562.9)	**169.9**	**313.0**	**(80.0)**
Debt due after one year	(5,149.0)	(1,974.9)	(658.4)	(7,782.3)	**1,850.3**	**(220.3)**	**(6,152.3)**
Net debt relating to continuing activities	(7,517.9)	(356.6)	(160.1)	(8,034.6)	**2,020.2**	**(47.5)**	**(6,061.9)**

Net debt does not include financial liabilities which are not considered to be part of the group's borrowings.

21. Additional cash flow information *(continued)*

Cash used as noted in the group (including discontinued operations) cash flow statement can be derived as follows:

	2024	2023
	£m	£m
Total (loss)/profit for the year	**(204.2)**	335.7
Tax charge	**3.8**	144.5
(Loss)/profit before taxation	**(200.4)**	480.2
Share of associates' and joint ventures' profit after tax	**(2.1)**	(5.1)
Finance income before fair value movements	**(13.4)**	(12.4)
Finance costs before fair value movements (note 7)	**570.8**	575.8
Net fair value movements (non-cash) on finance income and costs	**(73.7)**	(804.6)
Depreciation (note 10)	**329.6**	305.4
Amortisation of capitalised bid costs and software (note 9)	**43.5**	33.3
Impairment of property, plant and equipment (note 10)	**9.2**	8.6
Profit on disposal of property, plant, and equipment	**(0.8)**	(3.9)
Amortisation of capital grants	**(14.1)**	(13.7)
Increase in inventories	**(0.7)**	(1.0)
Increase in trade and other receivables	**(51.8)**	(22.6)
Increase in trade and other payables	**17.3**	27.8
Pension contributions in excess of operating costs	**(47.1)**	4.8
Movements in provisions	**13.1**	2.1
Other movements	**-**	0.2
Capital contributions	**27.0**	24.0
Cash generated from operating activities	**606.4**	598.9

22. Commitments

	2024	2023
	£m	£m
Capital and infrastructure renewals expenditure commitments for contracts placed at 31 March were:	**701.5**	638.9

The long-term investment programme for the group, which identified substantial future capital expenditure commitments in the period from 2020 to 2025, was agreed as part of the AMP7 Price Review process. In 2024 £28.6m (2023: £37.5m) of the above capital commitments relate to intangibles (software).

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 2024 £m	Loans to related parties 2023 £m
Joint ventures and associates		
Whinmoor Limited	**(0.2)**	0.5
Templegate Developments Limited	**1.8**	1.4
Sir Robert Ogden Evans Property Partnership Limited	**0.8**	0.8
	2.4	2.7

Total interest received on loans to associated undertakings and joint ventures was £nil (2023: £nil). All outstanding balances are unsecured. Sales and purchases between related parties are made at normal market prices. During the year ended 31 March 2024 the group made provisions totalling £1,000 for doubtful debts relating to amounts owed by related parties (2023: £nil) and released provisions totalling £nil (2023: £32,000). During the year dividends received from related parties totalled £1.3m (2023: £nil).

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):

	2024 £m	2023 £m
Short-term benefits	**2.3**	2.7

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[2]	Isle of Man	Isle of Man	Ordinary	100%
Glandwr Cyfyngedig	England & Wales	UK	Ordinary	100%
Templegate Developments Limited [JV]	England & Wales	UK	Ordinary	50%
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] Ridings Limited is in the process of being liquidated
[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

<u>Claims relating to property searches</u>

Five claims have been issued at various dates between December 2019 and March 2021 against Yorkshire Water by personal search companies (PSCs). The claims relate to historical search fees that PSCs have paid to Yorkshire Water for water and drainage reports obtained when buying a house. The PSCs state 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. Yorkshire Water has adopted the same stance as the rest of the sector in relation to this claim in disagreeing with the interpretation taken on behalf of the PSCs. The litigation is in progress and a judgement on the first stage of the trial is awaited. Yorkshire Water denies liability in relation to the claims and thus considers any outflow of economic benefit in relation to these claims is not probable. Accordingly, no provision has been recognised in this regard (2023: no provision recognised).

<u>Ongoing combined sewer overflow investigations</u>

Both the Environment Agency (EA) and Ofwat commenced investigations in November 2022, against all water and sewerage companies in relation to the operations of their wastewater treatment works.

Yorkshire Water is subject to ongoing information requests from the EA in respect of their national investigation.

Ofwat moved their investigation into a formal matter on 8 March 2022 and the company fully co-operated in the requests for provision of information. On 11 December 2023 Ofwat announced that they had reached the next stage in the enforcement cases having notified the company of their provisional findings and that the next step was for the company to have the opportunity to respond to the provisional findings and provide further relevant evidence for consideration. The company provided a detailed response to Ofwat's provisional findings on 4 February 2024. Whilst the company continues to work constructively with Ofwat in their on-going investigation, the outcome of these enquiries and any potential consequences is not known at this time.

At this time the directors cannot reliably estimate the financial effect nor have certainty over the timing of resolution of this investigation, however as part of its enforcement powers Ofwat can impose a financial penalty on companies, the value of which can be up to 10% of relevant turnover, which in this matter would be the wastewater regulated turnover.

26. Contingent liabilities *(continued)*

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A letter before claim has been received in respect of potential collective action proceedings. The proposed class representative is seeking to bring a claim on behalf of the class comprising of customers of Yorkshire Water (on an opt out 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 have been commenced against five other Water and Sewerage Companies. The certification hearing is scheduled to commence on 23 September 2024 for a period of five days with a further five days listed in January 2025 should this be required.

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.

Kelda Eurobond Co Limited
Company balance sheet
as at 31 March 2024

	Notes	**2024** **£m**	2023 £m
Fixed assets			
Investments	*3*	**3,172.2**	3,172.2
Debtors	*4*	**30.2**	181.1
		3,202.4	3,353.3
Current assets			
Cash and cash equivalents		**76.6**	-
Debtors	*4*	**31.5**	1.0
		108.1	1.0
Creditors: amounts falling due within one year	*5*	**(917.8)**	(1,287.5)
Net current liabilities		**(809.7)**	(1,286.5)
Total assets less current liabilities		**2,392.7**	2,066.8
Creditors: amounts falling due after more than one year	*5*	**(2,199.3)**	(1,954.8)
Net assets		**193.4**	112.0
Capital and reserves			
Ordinary shares	*7*	**7.5**	7.5
Share premium	*7*	**1,077.9**	742.5
Profit and loss account		**(892.0)**	(638.0)
Total shareholders' funds		**193.4**	112.0

The loss generated by the parent company for the year ended 31 March 2024 was £254.0m (2023: £182.4m 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 183 to 190 were approved by a duly authorised committee of the Board of directors on 10 July 2024 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 2024

	Ordinary shares £m	Share Premium £m	Profit and loss account £m	Total shareholders' funds £m
At 1 April 2022	7.5	742.5	(455.6)	294.4
Loss for the year	-	-	(182.4)	(182.4)
At 1 April 2023	7.5	742.5	(638.0)	112.0
Profit for the year	-	-	(254.0)	(254.0)
Share issue (note 7)	-	335.4	-	335.4
At 31 March 2024	**7.5**	**1,077.9**	**(892.0)**	**193.4**

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 2024 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 (Yorkshire) Limited	09921036
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.

1. Company accounting policies *(continued)*

Critical accounting judgements and key sources of estimation uncertainty *(continued)*

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 the recoverability of investments in subsidiaries and intercompany loan debtors. The company holds £3,172.2m investment in subsidiaries and £31.2m amounts owed by subsidiary undertakings as at 31 March 2024.

The recoverability of the investment in subsidiaries and intercompany loan debtors have been measured based on the Enterprise Value of the Yorkshire Water of £9,400m at 31 March 2024, net debt of group companies, and amounts owed to group undertakings, resulting in net equity value attributable to Kelda Group greater than the value of the investments and intercompany loan debtor. As this exceeds the carrying value there is no impairment of carrying value at 31 March 2024.

2. Loss attributable to the parent company

The result of the parent company was a loss of £254.0m (2023: £182.4m 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 2023 and 31 March 2024	**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

	2024 £m	2023 £m
Amounts falling due within one year:		
Amounts owed by parent company	**-**	1.0
Amounts owed by group undertakings	**31.2**	-
Prepayments and accrued income	**0.3**	-
	31.5	1.0
Amounts falling due after more than one year:		
Amounts owed by parent company	**-**	150.9
Deferred tax asset	**30.2**	30.2
	30.2	181.1

4. Debtors _(continued)_

Included in the amounts owed by group undertakings is £31.2m (2023: £nil) owed by group companies for group relief.

Prior year amounts owed by parent company relate to the intercompany loan between Kelda Eurobond Co Limited and Kelda Holdings Limited repaid in the year.

5. Creditors: amounts falling due within one year

	2024	2023
	£m	£m
Amounts falling due within one year:		
Amounts owed to group undertakings	**917.8**	1,264.1
Other creditors	**-**	23.4
	917.8	1,287.5

	2024	2023
	£m	£m
Amounts falling due after more than one year:		
Interest-bearing loans and borrowings	**-**	1,954.8
Amounts owed to parent company	**2,199.3**	-
	2,199.3	1,954.8

Amounts owed to group undertakings include loans due to Yorkshire Water Services Limited totalling £537.2m (2023: £937.2m).

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 £176.1m due to Kelda Finance No.2 Limited, £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%.

In 2023, the Company held £1,954.8m loan notes issued under a Payment-in-Kind (PIK) facility agreement with a final redemption date of 8 February 2028 and were previously held by the shareholders of the Kelda Holdings Limited. On 27 June 2023, Kelda Holdings Limited acquired these loan notes in exchange for shares in Kelda Holdings Limited.

Amount falling due after more than one year include loans due to Kelda Holdings Limited of £2,199.3m (2023: £nil). The loan bears interest at a Sterling Overnight Index Average (SONIA) based rate plus 7% margin with a repayment date of 8 February 2028.

6. Other information

The company had no employees throughout the year ended 31 March 2024 (2023: 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

	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**

Allotted, called up and fully paid
As at 31 March 2023

	Number	1p shares	Total
		£	£
Ordinary shares	750,000,001	7,500,000	7,500,000
Share premium			742,500,000
Total			750,000,000

Share issue: During the 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.

9. Post balance sheet events

In May 2024, a further £100.0m was paid to Yorkshire Water Services Limited, reducing the outstanding intercompany loan balance with Yorkshire Water Services Limited to £437.2m.

Independent Auditor's Report to the Members of Kelda Eurobond Co Limited

Report on the audit of the Financial Statements

1. 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 2024 and of the group's loss for the year then ended;
- the group Financial Statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements which comprise:

- the consolidated statement of profit or loss;
- the consolidated statement of comprehensive income and expense;
- the consolidated statement of financial position;
- the company balance sheet;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows;
- the related notes 1 to 26 of the consolidated Financial Statements; and
- the related notes 1 to 9 of the parent company Financial Statements.

The financial reporting framework that has been applied in the preparation of the group Financial Statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company Financial Statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Financial Statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, 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.

Independent Auditor's Report to the Members of Kelda Eurobond Co Limited

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Goodwill impairment • Completeness of manual adjustments to household bad debt provisioning; • Valuation of infrastructure assets; and • Valuation of derivative financial instruments. Within this report, key audit matters are identified as follows: Similar level of risk
Materiality	The materiality that we used for the group Financial Statements was £18.2m which was determined on the basis of 2.7% of earnings before interest, tax, depreciation and amortisation ("EBITDA"). This metric is explained further and reconciled within the Our financial performance section of the annual report.
Scoping	Our scoping covered 99% to 100% of the group's net liabilities, loss before tax and EBITDA.
Significant changes in our approach	There have been no significant changes in our audit approach in the year.

4. Conclusions relating to going concern

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

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

- understanding financing facilities including their maturity, compliance with interest cover ratios and other covenants, and obtaining confirmation of undrawn facilities;
- testing the going concern model for consistency with the business model and the forecasts used for infrastructure asset valuation;
- testing the accuracy of the model and assessing the historical accuracy of forecasts prepared by management;
- assessing the key assumptions used in the forecasts, such as revenue levels and both operating and capital expenditure, including giving consideration to the current and forecast economic environment with high inflation and households suffering a cost-of-living crisis;
- performing sensitivity analysis including consideration of contradictory evidence, latest third party economic forecasts, latest ratings agency reports, Ofwat financial resilience measures and FY25 results to date;
- involving our debt advisory specialists to assist in our evaluation of the above;
- assessing any risk of management manipulation of key financial metrics that would impact covenant calculations; and
- assessing the appropriateness of the going concern disclosures made in the Financial Statements.

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

Independent Auditor's Report to the Members of Kelda Eurobond Co Limited

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Goodwill Impairment

Key audit matter description	The group recognises £1.05bn of goodwill (2023: £1.05bn) in relation to the previous acquisition of the group by the parent company. The goodwill is entirely attributed to one cash generating unit ('CGU'), being Yorkshire Water Services Limited ('YWS'), the principal operating company, and management, supported by a third party valuer, calculates a fair value for YWS as a whole, which is used to determine the recoverable value of the CGU. This is then compared to the carrying value of the YWS CGU (including goodwill) to determine the level of headroom available. Management's fair valuation calculation contains several assumptions. Our key audit matter in relation to the impairment review is focussed on the assumption to which the model is most sensitive, namely the regulatory weighted average cost of capital ('WACC'). The regulatory WACC impacts the valuation as it determines the rate of recovery at which total expenditure on the network is recovered through revenue in the regulatory period. The model is highly sensitive to changes in the regulatory WACC value used. The assumptions used in the impairment review and the valuation of goodwill are disclosed in note 2 to the Financial Statements. Further information around the impairment review and sensitivities in relation to impairment are disclosed in note 9 to the Financial Statements.
How the scope of our audit responded to the key audit matter	The procedures we performed were as follows: • obtained an understanding of the relevant controls surrounding the goodwill impairment review prepared by management; • assessed the cash flows used for the fair valuation for completeness and tested the completeness and appropriateness of future cash flow assumptions; • assessed the scope of work and the key judgements made by the third party valuer. We also evaluated their competence, capabilities and objectivity; • evaluated the valuation performed by the third party valuer and challenged the assumptions used in the fair value calculation, including the WACC used and the future cash flows assumptions by benchmarking to available economic data; • involved our valuation specialists to assess key assumptions used in the impairment review and to consider recent transactions in the market; • benchmarked the implied Regulatory Capital Value multiple to other businesses in the industry or any recent market transactions; • evaluated potential contradictory evidence that might suggest a different

	position to that taken by management is more appropriate; and • assessed the disclosures included in the Financial Statements to assess whether they appropriately disclose the valuation methodology applied and the sensitivity of changes in the assumptions made.
Key observations	We considered management's assumptions in relation to goodwill impairment and, the disclosures in the Financial Statements around the fair valuation and the sensitivity of the calculation, to be reasonable and that no goodwill impairment is required.

5.2. Completeness of manual adjustments to household bad debt provisioning

Key audit matter description	A proportion of the group's household customers do not or cannot pay their bills, which results in the need for provisions to be made for non-payment of the customer balance. Management makes an estimate regarding future cash collection when calculating the bad debt provision. Management's approach to calculating the provision involves assessing their experience of subsequent cash collection of historical debtors, as well as judging how future cash collection may differ from that experienced historically, as a result of factors such as changes in the wider economic environment. In the current year, the continued comparatively high rate of inflation and household costs in the UK is putting pressure on customers' ability to pay, leading to greater judgement in assessing whether future cash collection will differ from historical experience. A key audit matter exists that any historical data is reflective of the current cost of living crisis and those struggling with water poverty, and whether any manual adjustments are required to reflect future risk of cash collection. The value of the provision for trade receivables at 31 March 2024 is £33.8m (2023: £34.9m). This is also included as an area of key estimation uncertainty in note 2 to the Financial Statements. Further information around the provision is disclosed in note 11 to the Financial Statements.
How the scope of our audit responded to the key audit matter	The procedures we performed were as follows: • obtained an understanding of the relevant controls established by management to consider the completeness of the bad debt provision; • searched for contradictory evidence (e.g. economic forecasts regarding unemployment and disposable income) to assess management's conclusion regarding the provision; • considered economic data surrounding water poverty, inflation and the impact from the previous financial crisis to consider the future impact of the current cost of living crisis; • performed sensitivity analysis on the provisioning models to assess the impact of changes in cash collection rates; and • performed benchmarking against other water companies with a similar provisioning approach.
Key observations	We consider the household bad debt provision, inclusive of consideration of

	manual adjustments to be materially appropriate and is compliant with accounting standards.

5.3. Valuation of infrastructure assets

Key audit matter description	Infrastructure assets are stated at fair value less any subsequent accumulated depreciation and impairment losses. Infrastructure assets are valued annually using the support of a third party expert to determine an enterprise value for Yorkshire Water Services (YWS), the principal operating company. After review and consideration, management uses this valuation to determine the fair value of infrastructure assets of YWS by making certain adjustments to exclude other assets and liabilities of YWS. There is a significant level of judgement in determining the fair value of these assets from the enterprise value, with the key assumptions included in this valuation being future cash flows for the business, an appropriate cost of equity and the terminal value of the business. The fair value of infrastructure assets at the year end was £5,357.8m (2023: £5,300.1m). The value of the infrastructure assets, and the valuation adjustment of £nil (2023: downward valuation of £458.7m) recognised on these assets at the year end, is disclosed in note 10 to the Financial Statements. This is also included as an area of key estimation uncertainty in note 2 to the Financial Statements.
How the scope of our audit responded to the key audit matter	The procedures we performed were as follows: • obtained an understanding of relevant controls relating to the asset revaluation process; • understood the scope of work and the key judgements made by the third party expert. We also evaluated their competence, capabilities and objectivity; • involved internal valuation specialists to challenge the third party valuation through benchmarking the valuation against recent market transactions; • assessed the fair value calculation prepared by management for mathematical accuracy and tested the appropriateness of the cash flow assumptions; • assessed the bridge between the third party's enterprise valuation and the valuation applied to the infrastructure assets, and re-performed management's calculation; • evaluated contradictory evidence surrounding the enterprise valuation, such as forecast economic indicators and market transaction valuations; and • evaluated that the valuation adjustment of £nil has been accurately recorded in the Financial Statements.
Key observations	We consider that the assumptions inherent in the fair value calculation, and the valuation methodology applied, are appropriate, and that the fair value of the infrastructure assets recognised is reasonable.

5.4. Valuation of derivative financial instruments

Key audit matter description	IFRS 9 "Financial Instruments" requires all derivatives to be accounted for in the balance sheet at fair value with movements recognised in profit or loss unless designated in a hedging relationship. Where possible, management has elected to apply hedge accounting. We identified a key audit matter in relation to the valuation of derivatives, including the application of credit, debit and funding risk valuation adjustments due to the subjectivity and appropriateness of market inputs used in the underlying models. The fair value of derivative financial instruments at 31 March 2024 totalled £263.6m of assets and £1,768.8m of liabilities (2023: £270.0m of assets and £1,936.6m of liabilities) and the fair value credits recognised in the income statement for the year ended 31 March 2024 totalled £73.7m (2023: £804.6m). The movement in fair value of derivatives in the year and the fair value held at year end is disclosed in note 20 to the Financial Statements. This is also included as an area of key estimation uncertainty in note 2 to the Financial Statements.
How the scope of our audit responded to the key audit matter	The procedures we performed were as follows: • obtained an understanding of relevant controls around the valuation techniques used in determining the fair value of derivatives; • inspected the nature and number of derivatives held at both the year end and during the year; • involved internal valuation specialists to perform independent valuations of derivatives at the balance sheet date, including the calculation of credit, debit and funding risk adjustments on both derivative assets and liabilities; • tested the accounting for all derivative positions, both external to the group and intercompany arrangements, to assess whether the accounting is in accordance with IFRS 9; and • evaluated the disclosures made for the year end derivatives, to assess whether they are in line with IFRS 9.
Key observations	We consider that the fair values recognised and disclosures made in respect of the derivatives recorded in the Financial Statements are reasonable.

Independent Auditor's Report to the Members of Kelda Eurobond Co Limited

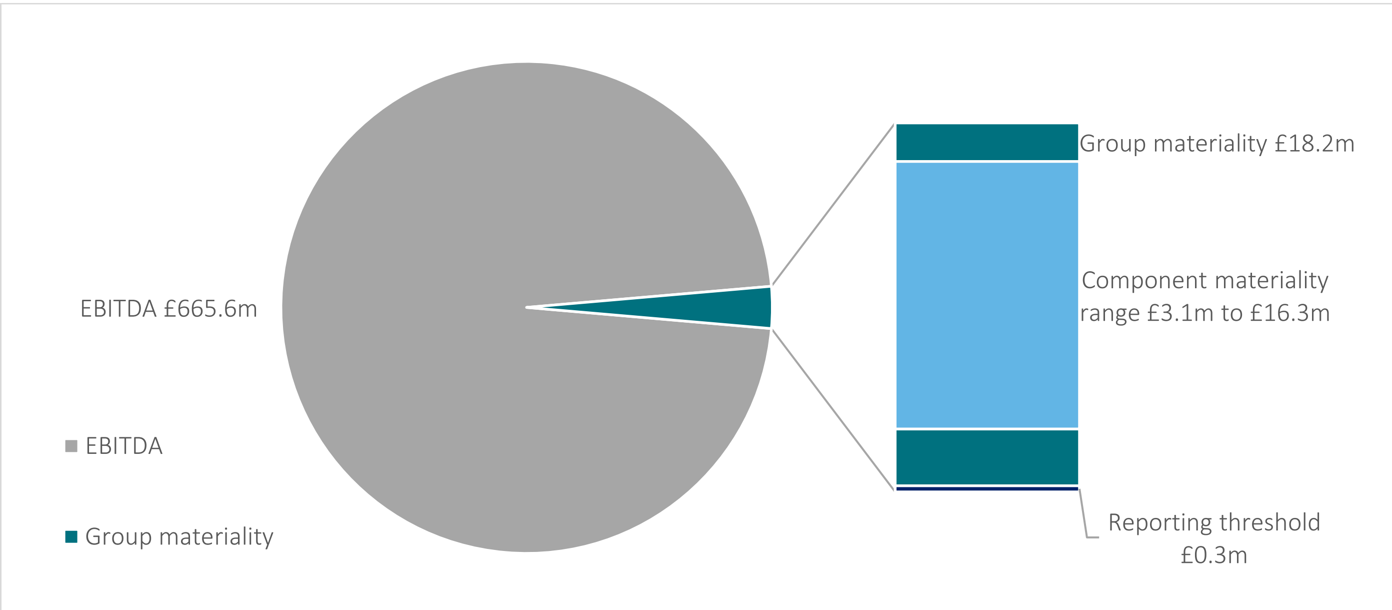
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

	Group Financial Statements	Parent company Financial Statements
Materiality	£18.2m (2023: £20.2m)	£3.1m (2023: £3.3m)
Basis for determining materiality	2.7% of earnings before interest, tax, depreciation and amortisation ("EBITDA") (2023: 3.5% of EBITDA). This metric is explained further and reconciled within the Our financial performance section of the annual report.	Materiality represents 3.0% of net assets (2023: 3.0% of net assets)
Rationale for the benchmark applied	EBITDA has been used in order to focus on the group's underlying trading performance consistent with the group's internal and external reporting and the focus of key stakeholders for the business.	The parent company does not trade or exist for profit generating purposes, so materiality has been determined using net assets.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the Financial Statements as a whole.

	Group Financial Statements	Parent company Financial Statements
Performance materiality	70% (2023: 70%) of group materiality	70% (2023: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • our risk assessment, including our assessment of the group’s overall control environment and whether we were able to rely on controls; and • our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.	

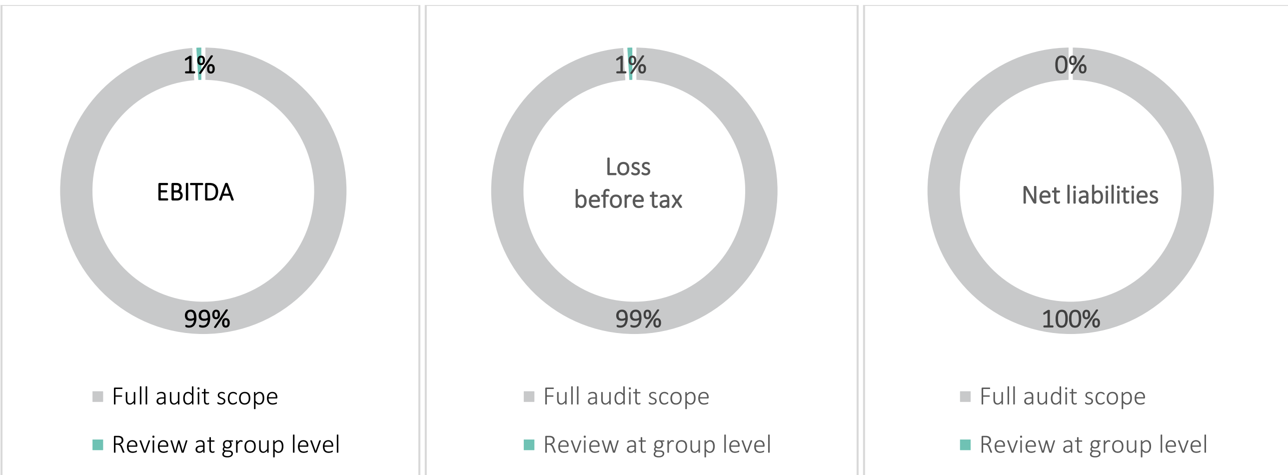
6.3. Error reporting threshold

We agreed with the directors that we would report to them all audit differences in excess of £0.3m (2023: £0.4m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the directors on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our audit was scoped by obtaining an understanding of the group and its environment, including key controls surrounding the financial reporting cycle and identified key audit matters, and assessing the risks of material misstatement to the group. Audit work to respond to the risks of material misstatement was performed directly by the group audit engagement team and resulted in 99% to 100% of the group’s net liabilities, loss before tax and EBITDA being subject to audit testing (2023: 99% to 100%).



7.2. Our consideration of the control environment

We have considered the key IT systems that were relevant to the audit to be the SAP system, which is the core IT system used for recording the financial transactions of the entity and the billing and cash collection systems, which are used for billing and cash collection. We involved our IT specialists to assess the relevant General IT controls (‘GITCs’) and test a sample of the controls instances.

We have relied on the SAP system through testing the GITCs in place, and where deficiencies have been noted, appropriate mitigations have been identified. This included assessing whether inappropriate activity has been conducted on these systems and whether the risk of adverse effects on financial information has been addressed. We were unable to rely on the billing and cash collection systems due to findings raised over joiners and movers controls and user access reviews that were unable to be mitigated.

We planned to adopt controls reliance over the valuation and completeness of the baseline household bad debt provision (before further adjustments are made). We obtained an understanding of and tested the relevant controls in place for each business process. As a result of the above findings on the billing and cash collection systems, we have been unable to rely on the controls around the valuation and completeness of the baseline household bad debt provision.

We do not currently rely on controls in other areas due to the lack of formal documentation and retention of audit evidence, and the GITC findings noted above.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the group's business and its Financial Statements. We have evaluated management's documentation regarding the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Financial Statements as included as a critical accounting judgement in note 2 to the Financial Statements. Whilst management have acknowledged the risks posed by climate change, they have assessed that there is no quantitively material impact arising from climate change on the judgements and estimates made in the Financial Statements for the year ended 31 March 2024.

We performed our own qualitative risk assessment of the potential impact of climate change on the group's account balances and classes of transactions and did not identify any additional risks of material misstatement as a result of climate change. We also assessed that the climate-related risks have no significant impact on our key audit matters. Our procedures were performed with the involvement of climate change and sustainability specialists and included reading disclosures included in the Strategic Report to consider whether they are materially consistent with the Financial Statements and our knowledge obtained in the audit and evaluating whether appropriate disclosures have been made in the Financial Statements.

8. Other information

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

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Members of Kelda Eurobond Co Limited

9. Responsibilities of directors

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

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

10. Auditor's responsibilities for the audit of the Financial Statements

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

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

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

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

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the group's own assessment of the risks that irregularities may occur either as a result of fraud or error;
- results of our enquiries of management, internal audit, the directors and the YWS Audit and Risk Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
    - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, IT, financial instruments and climate change and sustainability specialists regarding how and where fraud might occur in the Financial Statements and any potential indicators of fraud .

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

- completeness of manual adjustments to household bad debt provisioning; and

- classification of labour and overheads as property, plant and equipment, and repairs and maintenance as an expense.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the Financial Statements. The key laws and regulations we considered in this context included the UK Companies Act, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the Financial Statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the licence conditions imposed by Ofwat.

11.2. Audit response to risks identified

As a result of performing the above, we identified the completeness of manual adjustments to household bad debt provisioning as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the Financial Statements;
- enquiring of management, the YWS Audit and Risk Committee and in house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, Ofwat and other regulatory authorities;
- in addressing the risk of fraud through the classification of labour and overheads as property, plant and equipment and repairs and maintenance as an expense, we 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 additions made in the year to consider anomalous trends in recognition; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent Auditor's Report to the Members of Kelda Eurobond Co Limited

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

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

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

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

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company Financial Statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Use of our report

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

Christopher Robertson (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
10 July 2024