



Annual Performance Report 2023



Who we are:

We are a local water supplier providing an essential public service while playing an active role in the communities we are privileged to serve.

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→ [Read more](#) in our Annual Report and Accounts 2023 at: www.seswater.co.uk

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Introduction



“At SES Water, we continue to stand by our vision to be an outstanding water company that delivers service excellence. We pride ourselves on being a local water supplier playing an active role in the communities that we operate in.”

Paul Kerr
Chief Financial Officer

Our purpose is to harness the potential of water to enhance nature and improve lives. We believe it is not just our duty to supply water, but to use it as a force for local good.

Our Annual Performance Report should be read alongside our Annual Report and Accounts 2023, which is available on our website.

In this document we set out how we have performed against the performance commitments that we agreed with our regulator Ofwat for the third year of our Business Plan for 2020 to 2025 (also referred to as AMP 7). Included in this document are our regulatory accounts and regulatory tables that explain how we have performed as a business over the last 12 months.

Following on from last year, when we took the decision to split our reporting into our Annual Report (containing our financial and operational performance) and the Annual Performance Report (detailing our regulatory performance), we have continued with this split to provide two clear and concise documents.

The third year of AMP 7 has continued to present both operational and financial challenges for the Company. The increased levels of inflation in the last year have put pressure on our operating and financing costs, with various steps being taken by the Company to maintain financial resilience, while ensuring affordable bills, and that support continues to be provided to our customers, who have faced their own challenge through the cost of living crisis. Operationally, in difficult weather conditions we have continued to supply high-quality water with minimal supply interruptions and are succeeding in reducing leakage.

A handwritten signature in black ink, appearing to read 'Paul Kerr'.

Paul Kerr
Chief Financial Officer

14 July 2023

Annual Board statement on the Company's purpose, direction, aspirations and performance

Embedding purpose

At SES Water, our ambition is to harness the potential of water to enhance nature and improve lives. We believe it's not just our duty to supply water, but to use it as a force for local good. That's why we are doing all we can to support the communities we serve, whilst protecting and enhancing our local environment.

Our purpose influences everything we do, underpinning what we do and how we do it, both now and in the future. Our company culture is built around our purpose, enabling us to achieve our goals through our people.

Our purpose will be delivered through decisive action. It puts our customers and the environment at the heart of our decision-making, ensuring we create solutions for better lives.

We will continue to invest to deliver an excellent service that's free from interruptions and leaks.

We will bring benefits to the communities we serve, from being a diverse and inclusive place to work to eradicating water poverty. We will inspire the next generation through our education programme, and we will ensure we enhance our local environment and the natural resources we depend on.

And all of this will be achieved whilst continuing to do what we've always done – delivering an essential, resilient service, of the highest quality, all day, every day. For example, in the last year we have:

- Developed our relationships with landowners in preparation for more ambitious catchment and nature-based work
- Encouraged local community groups to improve their water efficiency by providing funding through our Every Drop Counts Community Fund
- Helped 19,735 vulnerable customers via Water Support Schemes
- Launched a new, online portal for our customers, allowing them to manage their account whenever and wherever they want
- Welcomed more than 2,800 teachers and pupils to Flow Zone (our Education Centre)

- Joined The Great British School Trip, which allows schools to apply for funding to enable more children to take part in school trips
- Won a silver RoSPA for Health & Safety
- Donated £28,000 to five local charities through our partnership with the Community Foundation for Surrey.

In addition, across September and October 2022, we held six events, reaching over 240 colleagues, to formally launch our purpose to the business. These events were designed to provide our people with a thorough understanding of our purpose and how they can help us achieve it through the work they do.

Finally, consultation and discussion on purpose, ambition and our associated steps to achieving these goals has been a key part of our ongoing Long-Term Delivery Strategy (LTDS) and PR24 customer research work, to ensure our short- and long-term delivery plans are appropriately aligned.

Direction and aspirations

As a Board, we work with executive management to ensure that our long-term strategy reflects the views of our customers and other stakeholders. The Board is involved at each stage of the process in developing both short- and long-term plans – from initial customer and regulator engagement, through development of every commitment to the final testing of acceptability with customers. In doing so, each independent non-executive director champions a key theme in our strategy and works with executives in ensuring these themes are underpinning what we do.

We published our Long-Term Vision in January 2018 and this complements our shorter-term five-year business plans for delivering a high-quality service to our customers. For 2020 to 2025, our plan is to build around five pledges and a series of performance commitments to deliver what matters most to our customers – our aspiration to ensure we maintain their top priority of a continuous supply of high-quality water as well as extra support for vulnerable customers, looking after the environment and helping our local communities thrive.

As noted above, we are currently updating our overall purpose and ambitions in line with Ofwat's recent guidance on long-term strategic delivery plans as part of PR24 business planning. As a Board, we will continue to work closely with management in this process, ensuring appropriate engagement with all relevant stakeholders in this process, and alignment with other strategic plans, such as the draft Water Resource Management Plan.

Performance

Our Annual Report summarises the progress we have made during the third year of our Business Plan for 2020 to 2025. It also explains the challenges we have faced, particularly due to the high levels of inflation, resultant supply chain and financing costs pressures, together with the plans we have in place to make sure that we meet all our commitments over the next two years.

Key highlights included that the Company:

- One of the top-ranking companies for our water quality, as measured by the Drinking Water Inspectorate
- Maintained its excellent performance for minimising the number of customers contacting us about the taste, smell or appearance of their water, which continues to be significantly better than industry average
- Stayed at or below the maximum allowed level of leakage every year since the target was first set more than 20 years ago, which is industry leading, and once again met our leakage reduction target
- Achieved our supply interruptions target, minimising disruption to our customers of their water supply
- Laid 13 kilometres of new main pipe in the past year and progressed a number of key mains replacement schemes across the supply area. As a result, the Company is on track to meet its target for the number of mains repairs in the remaining year of the AMP and improve overall network resilience
- More than two thirds of SES Water's customers are already metered and the Company is looking to provide meters for 90% of its customers by March 2025
- 19,476 customers are benefitting from the Company's Water Support

- Scheme, which provides a 50% bill reduction to eligible people. This means SES Water is surpassing the target we set ourselves for year four of this five-year Business Plan period
- Surpassed this year's target of 80% for vulnerable support scheme helpfulness, with 81% of people surveyed saying the extra services offered are helpful
 - Achieved its highest ever C-MeX ranking of 10th for the period January to March 2023. For the full year, the Company finished 13th, which is two places up from last year
 - Increased the number of colleagues in the Customer Care team, which now answers more than 95% of calls within 30 seconds
 - Retained the Wildlife Trusts' Biodiversity Benchmark Award for the third year at its Elmer Treatment Works and the second year at Fetcham Springs in Leatherhead. SES Water is the only water company to currently hold the accreditation and expects one more site to follow by 2025
 - Launched its draft Water Resources Management Plan for consultation, which looks ahead 50 years and helps understand how much water will be available and how much will be needed to supply
 - Saw that its vehicle fleet now comprises 30% electric vehicles, with each electric car helping to save 2-3 tonnes of CO₂e per year, as well as reducing the impact on local air quality
 - Partnered with Run Series to support both Run Gatwick and Run Reigate as the events' official water provider, preventing more than 24,000 single-use plastic water bottles from being given out at each event
 - A charitable fund, in partnership with the Community Foundation for Surrey, has seen the Company donate more than £28,000 to support many good causes in the community.

The Board reviews the performance of the Company on a monthly basis. To ensure the Board that such reporting represents an accurate and complete set of information on the Company's performance, the Board:

- Relies on the Company's system of internal controls as described in the

- Governance Report on page 81 of the Corporate governance report in our Annual Report. This internal controls systems ensures the production of both internal and external information by management, through an effective control environment, rigorous risk assessment process, accurate information system (which produces both financial and non-financial data), documented control procedures and an overall monitoring system to assess the accuracy and completeness of internally generated data
- Reviews the results of performance against financial and non-financial objectives. This takes the form of direct review and challenge with the executive directors and senior management in face-to-face sessions with the Board, to understand both historic and forecast performance, and the initiatives in place to ensure the latter remains on track to meet or outperform budgeted objectives
 - Invites other employees of the Company to present at Board meetings to hear first-hand (as opposed to through executive management) data and insights into performance in certain areas. In the last year, this included sessions on implementation of our new billing system, health and safety, and leakage plans
 - Utilises external parties where necessary to supplement that above work to gain further assurance on the accuracy and completeness of performance data, together with requisite action points. Such assurance is obtained annually from PwC and Mott MacDonald as external auditors on financial and non-financial measures respectively.

Being a responsible business

We welcome the robust scrutiny that comes with being in a highly regulated industry that delivers an essential service to the public. As a Board, we place great importance on being transparent about how the Company is owned, managed and financed.

Information that is published includes:

- A customer-friendly online version of our Annual Report, ensuring that our customers know and understand

- how we are performing and how we spend the money from their bills
- A summary of our Business Plan for 2020 to 2025, which details our five pledges, our 26 performance commitments and the activity we will undertake to deliver them, including the part that our customers can play
 - A summary of how we manage our water resources, ensuring that we are able to meet the demands of a growing population over the next 100 years and the impact climate change has on our business
 - 'Keeping it clear' - an annual easily digestible summary explaining our finances, where money is spent, how bills are set, our simple UK-based ownership structure and the role of the Board
 - An early view of our LTDS for PR24
 - Our annual gender pay gap report and a summary of what we are doing to close the gap
 - Minutes of key governance meetings, including the Board and the Customer and Environmental Scrutiny Panels, available on our website. Such panels also benefit from external chairs and membership
 - Key policies - such as our dividends policy and executive pay policy - are available on our website and within our Annual Report.

Further information is set out below on how the Board continues to meet Ofwat's leadership, transparency and governance principles, and how the Company is meeting its legal, statutory and regulatory obligations.

Governance

As a Board, we follow the UK Corporate Governance Code, with some small exceptions that are set out in the Compliance section of our Annual Report, and the Ofwat Principles on Board Leadership, Transparency and Governance. You can find full details about our structure, compliance and corporate governance arrangements in our Annual Report on pages 72 to 86.

Further information is available below on how the Board continues to meet Ofwat's leadership, transparency and governance principles, and how the Company is meeting its legal, statutory and regulatory obligations.

Leadership, transparency and governance

Meeting Ofwat’s 2019 objectives

Ofwat’s updated principles on Board leadership, transparency and governance came into force on 1 April 2019. The Board considers that it has met these objectives as noted below.

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Ofwat objective and underlying provisions

Board’s view

Purpose, values and culture

The regulated Company Board establishes the Company’s purpose, strategy and values, and is satisfied that these and its culture reflect the needs of all those it serves.

The Board develops and promotes the Company’s purpose in consultation with a wide range of stakeholders and reflecting its role as a provider of an essential public services.

The Board makes sure that the Company’s strategy, values and cultures are consistent with its purposes.

The Board monitors and assesses values and culture to satisfy itself that behaviours throughout the business is aligned with the Company’s purpose. Where it finds misalignment, it takes corrective actions.

We have noted at the start of this annual statement the work that the Board continues to ensure the Company’s purpose, strategy and values are clearly established and adhered to throughout the Company. This focus on purpose and reflection of the role of the Board in defining such matters has continued to be considered at all Board meetings, and in particular at our separate Board Strategy Day discussions. In 2022/23, we have relaunched our purpose through a series of events for our colleagues and supply chain partners to provide a thorough understanding of our purpose and how they can help up achieve it through the roles they do.

Companies’ annual reporting explains the Board’s activities and any corrective actions taken. It also includes an annual statement from the Board focusing on how the Company has set its aspirations and performed for all those it serves.

As noted in both our Corporate governance report (in the Annual Report and Accounts 2023), and within this statement, the Board’s activities are clearly explained, and we have already included this signed statement to explain the Board’s focus on the Company’s vision, purposes, aspirations and strategy.

Ofwat objective and underlying provisions

Board’s view

Standalone regulated Company

The regulated Company has an effective Board with full responsibility for all aspects of the regulated Company’s business for the long term.

The regulated Company sets out any matters that are reserved for shareholders or parent companies (where applicable) and explains how these are consistent with the Board of the regulated Company having full responsibility for all aspects of the regulated Company’s business; including the freedom to set, and accountability for, all aspects of the regulated Company strategy.

We have included expanded disclosures in this year’s Annual Report and Accounts 2023 to be transparent about matters reserved for the Board and how the Board of the regulated Company has full responsibility for the regulated Company’s business. No matters are reserved solely for shareholders or other holding companies. We have also included disclosure on how the Board has focused on the regulated Company during the ongoing strategic review being conducted by our shareholders.

Board committees, including but not limited to Audit, Remuneration and Nomination Committees, report into the Board of the regulated Company, with final decisions made at the level of the regulated Company.

As noted in the Corporate governance report, all committees report into the Board of the regulated entity and final decisions are made at the regulated Company level.

The Board of the regulated Company is fully focused on the activities of the regulated Company; takes action to identify and manage conflicts of interest, including those resulting from significant shareholding, and ensure that the influence of third parties does not compromise or override independent judgement.

Our Corporate governance report discusses in detail the focus of the regulatory Company Board, and how Board matters are discussed and reviewed utilising the skills and objectivity of the entire Board, with no areas of judgement being compromised by the influence of third parties. This includes the Board’s monitoring of directors’ interests and potential transactions with associated companies.

Ofwat objective and underlying provisions**Board's view****Board leadership and transparency**

The Board leadership and approach to transparency and governance matters engenders trust in the regulated Company and ensure accountability for their actions.

Regulated companies should publish the following information in a form and level of detail that is accessible and clear for customers and stakeholders.

We continue to make progress in this area as noted below.

An explanation of Group structure.

Included on pages 6 to 7 of the Annual Report and Accounts 2023.

An explanation of dividend policies and dividends paid, and how these take into account of delivery for customers and other obligations (including to employees).

This is contained within the Directors' report in the Annual Report, and has been updated for comments received from Ofwat in respect of clearer explanations for the quantum of – and reasons for – dividend payments.

An explanation of the principal risks to the future success of the business, and how these risks have been considered and addressed.

This is contained within the 'Principal and emerging risks' section of the Annual Report and Accounts 2023.

The Annual Report includes details of Board and Committee membership, number of times met, attendance at each meeting and where relevant the outcome of votes cast.

We have included these matters within our current Corporate governance and Committee reports in the Annual Report and Accounts 2023.

An explanation of the Company's executive pay policy and how the criteria for awarding short and long-term performance related elements are substantially linked to stretching delivery for customers and are rigorously applied. Where directors' responsibilities are substantially focused on the regulated Company and they receive remuneration for these responsibilities from elsewhere in the Group, policies relating to this pay are fully disclosed at the regulated Company level.

These matters relating to executive pay policy are included within our current Remuneration Committee report in the Annual Report and Accounts 2023. The remuneration policy presented continues to reflect feedback received from Ofwat recently with respect to weighting of environmental responsibilities within executive pay.

Ofwat objective and underlying provisions**Board's view****Board structure and effectiveness**

Board and its committees are competent, well run and have sufficient independent membership, ensuring they can make high-quality decisions that address diverse customers and stakeholder needs.

Board and Board committees have appropriate balance of skills, experience, independence and knowledge of the Company. Boards identify what customer and stakeholder expertise is needed in the Board room and how this need is addressed.

As noted in our Corporate Governance and Nomination Committee reports in the Annual Report and Accounts 2023, we believe that the Board and its committees have the appropriate balance of skills, experience and independence, together with knowledge of the Company and customer expectations.

Independent non-executive directors are the largest single group in the Board.

We adhere to this provision.

The Chair is independent of management and investors on appointment and demonstrates objective judgement throughout their tenure. There is an explicit division of responsibilities between running the Board and executive responsibility for running the business.

As noted in our Corporate governance report, our new Chair – Dave Shemmans – was independent upon appointment.

There is an annual evaluation of the performance of the Board. This considers the balance of skills, experience, independence and knowledge, its diversity, how stakeholder needs are addressed and how the over-arching objectives are met, the approach is reported in the Annual Report and any weaknesses are acted on and explained.

As described in our Corporate governance report within the Annual Report and Accounts 2023, an evaluation of Board effectiveness is performed every year. In 2022/23, an internal Board effectiveness review was conducted, the results of which are documented in the Annual Report and Accounts 2023.

There is a formal, rigorous and transparent procedure for new appointments which is led by the Nomination Committee and supports the overarching objective.

We adhere to a rigorous appointment procedure for new directors as noted in our Nomination Committee report within the Annual Report and Accounts 2023.

To ensure there is a clear understanding of the responsibilities attached to being a non-executive director in this sector, companies arrange for the proposed, final candidate for new non-executive appointments to the regulated Company Board to meet Ofwat ahead of a formal appointment being made.

We continue to apply this provision, with recent non-executive director appointments meeting with Ofwat.

There is a majority of independent members on the Audit, Nomination and Remuneration Committees and the Audit and Remuneration Committees are independently led.

We adhere to this provision.

Leadership, transparency and governance continued

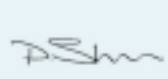

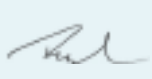
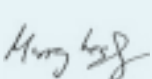
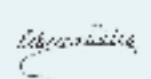
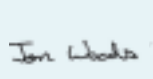

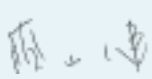
Consideration of Ofwat’s recent Board leadership, transparency and governance report

Ofwat’s latest formal BLTG report was issued in February 2021 and, while the Company was only mentioned once in report (in connection with enhanced LTIP disclosures as noted below), the Board considered the guidance provided by Ofwat and addressed the pertinent items that apply to SES Water as follows:

Areas for improvement and focus	Board’s view
Purpose, values and culture	
Focus on the impact of purpose and of it being embedded/ aligned through the Company’s strategy, values and culture.	The Board has renewed its focus on purpose and embedding this into the Company’s culture as noted at the start of the annual statement.
Standalone regulated Company	
Continue to be clear on matters reserved for the Board, and clearly explain how the regulated Company Board has full responsibility for all aspect of its business for the long-term.	The Board has formally reviewed these reserved matters again in 2022/23 and continues to be fully responsible for all regulated Company matters as documented in the Corporate governance report in the Annual Report and Accounts 2023.
Be clear on the policies in place to identify conflicts of interest for individual Board members, and consider what action may be needed should a situation arise where there could be a conflict with interest outside of the regulated Company.	While no conflicts of interest have been noted in 2022/23, the Corporate governance report within the Annual Report and Accounts 2023 continues to document the policy for conflicts of interest for individual Board members.
Board leadership and transparency	
Specifically, for SESW, update the LTIP reporting to be clear on the linkage to delivery for customers. Be clear about how the metrics chosen incentivise stretching performance delivery for customers.	This linkage between LTIP incentivisation and customer delivery was strengthened in the prior year executive pay policy as documented in the Remuneration Committee report within the Annual Report and Accounts 2023.
Ensure there is an adequate explanation as to how the dividend policy was actually used in decision-making on whether or not to declare dividends, and for dividends declared, how the amount was decided.	An expanded explanation on application of our dividends policy for 2022/23 is provided in the Directors’ report within the Annual Report and Accounts 2023.
Ensure transparency of Group structure, ensuring it is easy to find structure diagrams on the website. Structure diagrams also need to address the ‘why’ of structures as well as the ‘what’ of structures.	Our Group structure continues to remain straightforward as documented on pages 6 to 7 of the Annual Report and Accounts 2023, with an explanation provided of the ‘why’ for key entities in the structure.
Board structure and effectiveness	
Continue to be clear on independence of Board members, including the Chair, especially where parent and regulated companies Board membership overlaps.	The Corporate governance report within the Annual Report and Accounts 2023 continues to document the status of the independence of our directors, including those involved on the Board of our main Group entity, East Surrey Holdings Limited.
Continue with external Board effectiveness exercises, revisiting recommendations from prior evaluation and actions taken.	We continue to utilise a third party when appropriate to perform an external board effectiveness review, as documented in the Corporate governance report within the Annual Report and Accounts 2023, with prior year recommendations also revisited.
Consider diversity in the broadest sense when making decisions relating to the membership of boards/committees, ensuring the Company is equipped to make decisions that meet the needs of all employees.	We have published an updated equality, diversity and inclusion policy in 2022/23, after review and consideration by the Board, which will enable further advance of diversity throughout the business.

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Approved by the Board of Directors on 14 July 2023:

							
Dave Shemmans Chair	Ian Cain Chief Executive Officer	Paul Kerr Chief Financial Officer	Murray Legg Senior Independent Director	Rebecca Wiles Non-executive director	Jon Woods Non-executive director	Kenji Oida Non-executive director	Ken Kageyama Non-executive director

Statements of the directors to the Water Regulation Authority

(I) Certificate of adequacy including statement on sufficiency of financial resources and facilities

Under Condition P of the Company's licence, the directors of the Company are required to provide a certificate stating that in the opinion of the Board of Directors (the 'Board'), the Company will have sufficient resources to enable it to carry out its regulated activities, for at least the 12 month period following the date on which the certificate is submitted to Ofwat. PwC, as our external auditor, provides third party assurance with respect to the financial and resources section of this certificate in its associated external audit opinion.

Certificate

The directors certify that in their opinion:

- The Company will have available to it sufficient financial resources and facilities to enable it to carry out, for at least the next 12 months, the regulated activities (including the investment programme necessary to fulfil its obligations under the Appointment)
- The Company will, for at least the next 12 months, have available to it management resources and methods of planning and internal control which are sufficient to enable it to carry out those activities
- All contracts entered into with associated companies include all necessary provisions and requirements concerning the standard of services to be supplied to the Company, to ensure that it is able to meet its obligations as a water undertaker.

Evidence considered by the Board

In providing this certificate, the directors have taken into account the following evidence:

Financial resources and facilities

- The budget and capital expenditure programme for 2023/24 approved by the Board
- The expected 2024/25 operating and capital expenditure levels in our AMP 7 Business Plan, as updated for recent reforecasts
- The assessment of financial resilience provided by management as part of the going concern assessment conducted for issuance of the Annual Report and Accounts 2023.

This included:

- An assessment of the Company's current and projected liquidity
- Equity commitments of £22m from the ultimate shareholders to be provided between July 2023 and March 2024, with further amounts to be advanced if downside risks crystallise (see further 'Material issues or circumstances' below)
- The continued use of the aggregate £75m revolving credit facilities (RCFs) (with £50m available to the Company until July 2024 and £25m until March 2025, with positive expectations on associated refinancing) and a further £1m bank overdraft
- Compliance with the financial covenant ratios associated with the Company's long-dated bond
- Available headroom under the long-dated bond covenants to facilitate seeking additional debt (see further 'Material issues or circumstances' below)
- Stress-testing of the above headroom, including the continuing effects of inflation increases on the Company and customers
- The Company's performance against the first three years of the PR19 Final Determination
- The continued investment grade quality of the Company's credit
- The long-term viability statement, together with underlying assumptions, set out in the Annual Report and Accounts 2023
- Consideration of how possible outcomes of the ongoing strategic review might affect the financial resources available to the Company.

Based on the evidence reviewed and challenged by the Board as noted above, the Board is satisfied that the Company will have available to it sufficient financial resources and facilities to enable it to carry out, for at least the next 12 months, its regulated activities (including the investment programme necessary to fulfil the Appointee's obligations under the Appointment).

Management resources

- The reviews, conducted through the Nomination Committee, of senior management performance, skills and experience and the CEO's views of the development required to enhance this skillset
- The Company's recruitment policy and reports on staff engagement
- The annual review presented by the CEO to the Nomination Committee of succession planning for key management and staff
- Reports, via the monthly Board performance report, of various people matters, including staff turnover, training courses, online learning, induction programmes and learning and development being provided to the staff
- Review and approval of the Company's Code of Conduct and Business Ethics and processes for ensuring diversity
- Reports, via the monthly Board performance report, on key projects (including business-wide systems and capital projects) and associated resource levels to deliver such projects
- Ongoing review of the composition and independence of the Board, to ensure management is effectively supported throughout the year.

Based on the evidence reviewed and challenged by the Board as noted above, the Board is satisfied that the Company will, for at least the next 12 months, have available to it management resources which are sufficient to enable it to carry out its regulated activities.

Statements of the directors to the Water Regulation Authority continued

Systems of planning and internal control (including risk management)

- The overall risk management framework and oversight processes, as detailed in the Company's Compliance Code
- Review of the Company's risk register and mitigating actions every six months
- Review and approval for the 2023/24 internal audit programme developed by management, and review of actions arising and mitigation next steps
- External control reports provided by PwC, including reports on information technology general controls
- Management's business continuity plans, including water resource plans and system-based resilience plans
- The planning underpinning the sound overall operational performance in the first three years of AMP 7
- The Company's Code of Conduct and Business Ethics, which details policies to prevent fraud and other unethical behaviour, and the Company's whistleblowing policy.

Based on the evidence reviewed and challenged by the Board as noted above, the Board is satisfied that the Company will, for at least the next 12 months, have available to it methods of planning and internal control which are sufficient to enable it to carry out those activities.

Rights and resources other than financial resources

- Regular reports to the Audit Committee on the status of the Company's information and operational technology
- Reports - via the monthly Board performance report - on access to water resources, the status of the Company's network and treatment facilities, cyber-security matters, levels of proactive and reactive maintenance levels, and treatment work outages

- Reports on the Company's insurance renewals and coverage levels
- Reports via the monthly Board performance reports on the status of key contracts, in particular contracts with key suppliers associated with the capital programme, including mitigation of risks to deliverability of significant capital projects.

Based on the evidence reviewed and challenged by the Board as noted above, the Board is satisfied that the Company will, for at least the next 12 months, have available to it rights and resources other than financial resources which are sufficient to enable it to carry out its regulated activities.

Contracting

- Reports by management on adherence between the Appointee and all associated companies on compliance with licence requirements on standards
- Reports from management, via the monthly Board performance report, on the status of intercompany balances and transactions between the Appointee and any associated company
- Ensuring compliance with licence provisions on cross-subsidies between the Appointee and any associated company (Condition P)
- Confirming - via the regular Board meeting with executive management present - that no guarantees or cross-default obligations are given without Ofwat's written consent.

Based on the above evidence, the Board is satisfied that all contracts entered into with associated companies include all necessary provisions and requirements concerning standard of services to be supplied by the Company, to ensure that it is able to meet its obligations as a water undertaker.

Material issues or circumstances

Since accepting the Final Determination (FD) for the 2020 to 2025 regulatory period, the Company has faced significant financial challenges primarily arising from the ongoing high-inflation environment adversely impacting core areas of expenditure. Such cost pressures have included:

- Escalating prices associated with the chemicals we purchase for the process of water treatment at our works locations. In particular, this cost pressure has included the cost of chemicals we use to soften water at our treatment works to meet statutory regulations
- Increasing costs of capital-based expenditure, including the cost of infrastructure materials and labour, to complete major network and works projects
- Increased energy costs associated with the transportation of water around our network. While, due to effective price hedging, we have been shielded from recent energy price increases, increased pumping costs associated with ensuring continuity of water supplies during the recent droughts have been significant.

We expect such escalating cost pressures to continue for the remainder of AMP 7 and beyond.

The historic financial structure of the Company is dominated by a long-dated (30-year) retail price inflation (RPI) linked bond issued in 2001. Recent periods of high inflation have resulted in the amount payable by the Company under this bond increasing due to recent sharp RPI increases, resulting in increasing gearing levels, despite inflation increases to our Regulatory Capital Value (RCV) (with RCV increasing based on the lower CPIH index). Combined with the higher inflation-based pressures on collection of revenues and operational and capital expenditure levels, the increased gearing has reduced the headroom available to incur additional debt within the business in the future.

Further, our shareholders have recently announced a strategic review of their investment in the Company. At the date of this certificate, this review is ongoing and the possibility of a change in ownership adds further uncertainty.

Therefore, to support the Company in addressing the financial challenges noted above and through the ongoing strategic review, the Company's shareholders have provided Letters of Support which contain commitments to provide £22m of equity in aggregate to the Company from July 2023 to March 2024.

The Letters of Support provided by the ultimate shareholders also acknowledge that financing in excess of the £22m may be required in the event further downside risks crystallise (such as operational events increasing totem levels, continued inflation rate increases or covenant compliance matters such as meeting the Adjusted Interest Cover Ratio (AICR)) and will therefore advance further amounts as required subject to internal application processes by the shareholders.

The Letters of Support will remain in place for the next 18 months up until December 2024. If - as a result of the strategic review - the current shareholders are no longer in place, the current shareholders will use best endeavours to ensure that (through the process of transferring ownership) the new shareholders will provide the necessary financial support to the Group for at least the remainder of the period. Based on the Letters of Support, we expect that the majority of the committed equity (over 75% of the £22m) will be received on or prior to 1 December 2023, with the first instalment of £2m already received as at the date of this certificate.

With the ultimate shareholders' support, and with specific regard to the material issues or circumstances disclosed in this certificate, in the directors' opinion the Company will have available to it sufficient financial resources and facilities to enable it to fund the regulated activities necessary to fulfil the Appointee's obligations under the Instrument of Appointment for the next 12 months.

Beyond the next 12 months, through a combination of the continued support of the current shareholders, the Company's financing plans in the coming year (including further accessing the external debt market further following the injection of committed equity) and any financing arrangements consequent upon the possible change of ownership, the directors consider that sufficient financial resources and facilities will be in place to fulfil the Appointee's obligations under the Instrument of Appointment for the remainder of AMP 7.

The directors recognise that should they become aware of any circumstances which would change their opinion on the items set out in this certificate, or other matters, such that they would not give the opinion contained in this certificate or which would materially affect the Company's ability to carry out its regulated activities, the Company must inform Ofwat of this.

In the production of this certificate of adequacy, the Board considered the information and evidence collected as detailed above, and whether such evidence was sufficient to provide the forward-looking basis for this certificate.

The Board considered the completeness and quality of such evidence, the balance between the external and internal level of evidence and the views of all executive and non-executive directors in making their decisions to provide this certificate.

As specified in Condition P, PwC, the Company's external auditor, has issued a separate opinion in relation to the directors' consideration of the sufficiency of financial resources and facilities within this certificate of adequacy to Ofwat, as noted on page 7 of this Annual Performance Report. PwC's opinion does not relate to any consideration of the sufficiency of management resources, sufficiency of methods of planning and internal control or whether contracts entered into with any associated company include all necessary provisions and requirements concerning the standard of service to be supplied to the customer.

(2) Statement on sufficiency of non-financial resources

The directors confirm on page 110 of the Directors' report in the Annual Report and Accounts 2023 that as at 31 March 2023 the Company was in compliance with paragraph 14 of Condition P of its Instrument of Appointment, ensuring that the Company has sufficient rights and assets available to enable a special administrator to run the business.

Statements of the directors to the Water Regulation Authority continued

(3) Risk and compliance statement

The Company provides an essential service to its customers. The quality and availability of water are our customers' highest priorities. To ensure a continued supply of high-quality drinking water, we are required to meet a number of regulatory and legal obligations.

The directors confirm that in their opinion the Company:

- Has a full understanding of all its relevant statutory, licence and regulatory obligations
- Is meeting all its relevant statutory, licence and regulatory obligations
- Has taken steps to understand and meet the expectations of its customers
- Has satisfied itself that it has sufficient processes and internal systems of control to fully meet its obligations
- Has appropriate systems and processes in place to allow it to identify, manage, mitigate and review its risks.

In preparing the statements above, the directors note that:

Statutory, licence and regulatory obligations

- The Company has a Compliance Code in place (available on its website and distributed to all employees) which is reviewed annually and an internal audit is carried out to confirm compliance, including compliance with the requirement to trade with associates at arm's length

- Assurance has been provided that the Company has available to it sufficient financial and non-financial resources, as per the requirement in the Company's Instrument of Appointment
- The Company's regulatory accounts confirm that the Company maintains an investment grade credit rating
- Required regulatory disclosures have been made below
- The independent auditor's report from PricewaterhouseCoopers LLP (available on pages 116 to 122 of the Annual Report and Accounts 2023) confirms that the Strategic and Directors' reports, included within this Annual Report and Accounts 2023, have been prepared in accordance with the Companies Act 2006 and the information contained within them is consistent with the financial statements.

Expectations of customers

- The Board receives reports on feedback from customers. The Company has talked directly to customers about their views on Company performance both now and what they want to see in the future through our online community, a regular telephone and online survey, targeted engagement for our Business Plan finalisation, through our education activity and through daily contact with customers both over the five-year plan built around the five aims described in our performance report which reflect customers' expectations to maintain or improve levels of service
- Over the year, most of our commitments under the five aims in our Business Plan have been met, as summarised on pages 34 to 38 in the Annual Report and Accounts 2023
- The Board meets regularly to review Company performance and receives monthly performance information, enabling it to challenge the executive team

- The Company has a Customer Scrutiny Panel whose duties include advising, scrutinising and challenging the Company in its development of plans for meeting their customers' priorities, including encouraging the Company to consider the environment and wider society in a customer context and the panel's activity over the year is reported on pages 54 and 55 in the Annual Report and Accounts 2023
- The Company's technical advisor, Mott MacDonald, has provided a statement, available on the Company's website, on the Company's compliance with its requirements on reporting of performance and cost assessment data in the Annual Report and Accounts 2023.

Processes and systems of control

- The Company operates a system of internal control, described on page 81 of the Corporate governance report in the Annual Report and Accounts 2023, that meets the requirements of the UK Corporate Governance Code
- Reporting processes are accredited to the International Standard ISO 9001:2015 Quality Management Systems
- The Company's voluntary monitoring framework is available on the Company's website.

Identifying, managing and mitigating risks

- Risk management is embedded in the company culture and the monitoring and control systems in place include a twice-yearly review of risks and mitigating actions by the Audit Committee
- Consideration of the financial and operational impact of a range of severe but plausible risks is carried out by the Audit Committee with the current risks and mitigations described on pages 90 to 94 of the Audit Committee report of the Annual Report and Accounts 2023
- The Board is aware of its obligation to highlight any material emerging or existing risks to Ofwat in a timely manner
- The financial and operational viability of the Company out to 2033 has been considered and is described in the long-term viability statement on pages 84 to 86 in the Corporate governance report of the Annual Report and Accounts 2023.

The dividend policy for the appointed business and how it has been applied is outlined in the Directors' report on page 111 of the Annual Report and Accounts 2023.

The tax strategy for the appointed business is the same as the strategy outlined for the Company on pages 82 and 83 in the Corporate governance report in the Annual Report and Accounts 2023.

The long-term viability statement is included in the Annual Report's Corporate governance report on page 84.

(4) Additional regulatory disclosures

The remuneration policy of directors and how this was applied in the year to 31 March 2023 is explained on pages 95 to 109 in the Remuneration Committee report of the Annual Report and Accounts 2023.

Each Director confirms on page 114 in the directors' report that the requirement in relation to provision of information to the Company's auditor has been met.

Approved by the Board of Directors on 14 July 2023:

Dave Shemmans Chair	Ian Cain Chief Executive Officer	Paul Kerr Chief Financial Officer	Murray Legg Senior Independent Director	Rebecca Wiles Non-executive director	Jon Woods Non-executive director	Kenji Oida Non-executive director	Ken Kageyama Non-executive director
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Statement of directors' responsibilities for regulatory information

Further to the requirements of company law, the directors are required to prepare accounting statements which comply with the requirements of Condition F of the Instrument of Appointment of the Company as a water and sewerage undertaker under the Water Industry Act 1991 and Regulatory Accounting Guidelines issued by Ofwat.

This requires the directors to:

- a) Confirm that, in their opinion, the Company has sufficient financial resources and facilities, management resources and systems of planning and internal controls
- b) Confirm that, in their opinion, the Company has contracts with any associated company with the necessary provisions and requirements concerning the standard of service to be supplied to ensure compliance with the Company's obligations as a water undertaker. The directors have issued a certificate under Condition P of the Licence – see pages 7 to 11
- c) Report to Ofwat changes in the Company's activities, which may be material in relation to the Company's ability to finance its regulated activities. The directors hereby confirm that there were no changes in the Company's activities, which may be material in relation

to the Company's ability to finance its regulated activities, during the year ended 31 March 2023

- d) Undertake transactions entered into by the appointed business, with or for the benefit of associated companies or other businesses or activities of the appointed business, at arm's length. This has been confirmed within Information in respect of transactions with any other business or activity of the appointee or any associated company' on page 65
- e) Keep proper accounting records, which comply with Condition F. The directors of the Company hereby confirm that the Company has kept proper accounting records, which comply with Condition F.

These responsibilities are additional to those already set out in the Sutton and East Surrey Water Plc statutory financial statements that can be viewed in the Annual Report and Accounts 2023.

In addition, paragraph 14 of Condition P of the Instrument of Appointment requires directors to confirm that, in their opinion, the Company has sufficient rights and resources, which would enable a special administrator to manage the affairs, business and property of the Company.

In the opinion of the directors, the Company was in compliance with paragraph 14 of Condition P at the end of the financial year and this has been confirmed in the certificate on pages 7 to 11 of the Annual Performance Report.

Disclosure of information to the auditor

Each of the persons who is a director at the date of approval of this report confirms that:

1. So far as he or she is aware, there is no relevant information of which the Company's auditor is unaware and
2. He or she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given, and should be interpreted, in accordance with the provisions of section 418 of the Companies Act 2006.

Approved by the Board of Directors on 14 July 2023:



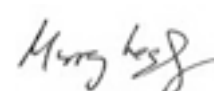
Dave Shemmans
Chair



Ian Cain
Chief Executive Officer



Paul Kerr
Chief Financial Officer



Murray Legg
Senior Independent Director

Board Statement on accuracy and completeness of data and information for the year ended 31 March 2023

The SES Water Board is accountable for the quality of the information provided on the Company's performance to various stakeholders and appreciates the criticality of transparency on how businesses such as SES Water, which deliver essential public services, are run. The Board has taken seriously the recent recommendations by Ofwat contained within its Board Leadership, Transparency and Governance objectives, and has continued to publish additional information to enhance transparency of information within the Annual Performance Report, supplemented by the Company's 'Keeping it clear' document published each December.

The SES Water Board confirms that the data and information which the Company has provided to Ofwat in the reporting year and which we have published in our role as a water undertaker is accurate and complete.

The Board considers that the Company has applied its processes and internal systems of control in a manner that has enabled it, to the extent that it is able to do so from the facts and matters available to it, to identify material departures from the obligations within this document. The Board does not consider that any material departures have been identified in the year ended 31 March 2023.

In making the above statement, the Board has carried out the following activities to satisfy itself on the accuracy and completeness of the data and information issued by the Company in the year:

An effective system of internal controls

Complete and accurate data and information relies upon an effective system of internal controls for the Company. The directors acknowledge that they are responsible for the Company's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than to eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement.

The Board has reviewed the effectiveness of the Company's system of internal control, including control of financial, operational, and compliance matters and risk management.

It confirms that the Company has complied with its own system of internal controls, detailed below,

- There is an ongoing process for identifying, evaluating and managing the principal and emerging risks faced by the Company
- The systems have been in place for 2022/23 and up to date of approval of the Annual Report and accounts
- The systems are regularly reviewed by the Board
- The systems meet the FRC 2014 guidance on these matters.

The Company's system of internal control is founded upon the following key features:

1. Control environment

The directors have put in place an organisational structure with clearly defined lines of responsibility and delegation of authority. The Company has a clearly defined policy on whistleblowing, which is detailed in the staff handbook, and includes access to independent and confidential advice. The Company's Code of Conduct and Business Ethics policy, which has been approved by the Board, has been drawn to the attention of all employees and published on the Company's intranet. Significant work has been performed in the last year, via the Audit Committee, to review and enhance various key Company policies in this area.

2. Risk management

Managing business risk to enable opportunities is a key element of all activities. This is done using a framework which provides a consistent and sustained way of implementing the Company's values. Business risks, which may be related to business systems, physical assets, people, finances, or customers, are reviewed regularly by the Audit Committee and discussed by the Board.

3. Information systems

There is a comprehensive budgeting system with an annual budget approved by the Board. At each Board meeting, monthly trading results and key operational data, balance sheets and cash flow statements are reported against the corresponding figures for the budget and the prior year, and the forecast for the full year is reviewed.

4. Control procedures

There are clearly defined policies, processes, and controls for managing key business risks, such as appropriate delegations of authority for capital and operating expenditure, preventative IT controls to reduce the possibility of a cyber-attack being successful and automated controls within the treatment processes and networks. Larger projects and major investments require Board approval.

Board Statement on accuracy and completeness of data and information for the year ended 31 March 2023 continued

5. Monitoring system

The Company's internal financial, operational and compliance control systems have been reviewed in the context of evolving legal and regulatory requirements and additional assurance procedures have been agreed and implemented.

The Committee has also considered the need for a dedicated internal audit function in the light of the development of the Quality and Compliance function since its establishment in 2014. Having agreed a programme of internal audit work to be undertaken by a combination of internal and external resources, the Committee has concluded that a separate internal audit function continues not to be needed at the present time. Whilst the monitoring and control arrangements that operated the year are considered good, actions are being taken in 2023/24 to improve controls over revenue and costs to improve financial performance. The external auditor has been informed of the Company's internal audit programme and tailored its external audit work as needed.

Identification of any data or information compliance issues

The Company provides an essential service to its customers and understands that the quality and availability of water are our customers' higher priorities. To ensure a continued supply of high-quality drinking water we are required to meet a number of regulatory and legal obligations.

The Company's Risk & Compliance Statement, which is contained within the APR and separately issued to Ofwat, has been published alongside our APR, confirms that the Board has complied with all its relevant statutory, licence and regulatory obligations and is taking appropriate steps to manage or mitigate any risks it faces.

The directors confirm that in their opinion the Company:

- Has a full understanding of all its relevant statutory, licence and regulatory obligations
- Is meeting all its relevant statutory, licence and regulatory obligations
- Has taken steps to understand and meet the expectations of its customers
- Has satisfied itself that it has sufficient processes and internal systems of control to fully meet its obligations
- Has appropriate systems and processes in place to allow it to identify, manage, mitigate and review its risks.

In preparing the Risk & Compliance Statement, the directors note that:

- The Company has a Compliance Code in place (available on its website and distributed to all employees) which is reviewed annually and an internal audit is carried out to confirm compliance, including compliance with the requirement to trade with associates at arm's length
- Assurance has been provided that the Company has available to it sufficient financial and non-financial resources, as per the requirement in the Company's Instrument of Appointment
- The Company's regulatory accounts confirm that the Company maintains an investment grade credit rating
- Required regulatory disclosures have been made
- The independent auditor's report from PricewaterhouseCoopers LLP confirms that the Strategic and Directors' reports, included within our Annual Report and Accounts 2023, have been prepared in accordance with the Companies Act 2006 and the information contained within them is consistent with the financial statements.

Use of external assurance

The Board acknowledge and need for external assurance on the Company's data and information, in addition to the assurance provided by the Company's internal assurance measures noted above. In terms of the external assurance for the year ended 31 March 2023:

1. Results of assurance work

The Board engaged Mott MacDonald to provide assurance over our key non-financial metrics, primarily the 2022/23 performance commitment outcomes.

The year-end assurance letter from Mott MacDonald is attached on our website and provides a unqualified opinion on our reported results of our performance commitments for 2022/23.

A summary of Mott MacDonald's conclusion is attached as follows:

- The Tables 3A-3F performance commitment data appear to have been completed appropriately
- The technical data in tables 4A, 4R, 4Q, 5A, 6A, 6B, 6C, 6D, and 11A has been compiled appropriately, subject to below
- In table 4R, year-end property data is being reported rather than year-average, owing to a discontinuity in data when the new customer relationship management and billing system was introduced
- Errors and omissions were corrected as a result of the audits
- Recommendations were made that continue improvement on aspects of method statements and handover process.

2. Results of assurance work perform on financial and regulatory data

PwC was engaged to provide assurance over the 2022/23 financial statements and tables 1 and 2 of the regulatory accounts. PwC’s regulatory audit opinion is contained in the APR as published on the Company’s website. Both of these opinions were unqualified opinions on the Company’s reported results, with the opinion over the financial statements giving specific details of area of focus for the audit during the year.

3. Assurance on the Company’s certificate of adequacy

In line with Ofwat’s requirements with respect to the Company’s Certificate of Adequacy (or Ring-Fencing certificate), PwC performed assurance work as detailed in its opinion as attached on our website. This confirmed that the certificate was consistent with the information obtained during the course of its audit work of the statutory financial statements.

All required certificates – including the above Certificate of Adequacy and Risk and Compliance certificate – are contained in our APR and have been separately issued to Ofwat.

Throughout our year-end work, we have also utilised external experts where required to ensure the appropriate data has been included in the year-end financial and regulatory reporting, including LCP for actuarial data, EY for tax computations and reporting, and CEPA for regulatory review matters, including numerical reconciliations to Ofwat’s Final Determination.

Approved by the Board of Directors on 14 July 2023:



Dave Shemmans Chair	Ian Cain Chief Executive Officer	Paul Kerr Chief Financial Officer	Murray Legg Senior Independent Director	Rebecca Wiles Non-executive director	Jon Woods Non-executive director	Kenji Oida Non-executive director	Ken Kageyama Non-executive director
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Independent auditor's report to the Water Services Regulation Authority (the WSRA) and the directors of Sutton and East Surrey Water Plc

Opinion

We have audited the sections of/tables within Sutton and East Surrey Water Plc's Annual Performance Report for the year ended 31 March 2023 ("the Regulatory Accounting Statements") which comprise:

- the regulatory financial reporting tables comprising the income statement (table 1A), the statement of comprehensive income (table 1B), the statement of financial position (table 1C), the statement of cash flows (table 1D), the net debt analysis (appointed activities) (table 1E), the financial flows (table 1F) and the related notes; and
- the regulatory price review and other segmental reporting tables comprising the segmental income statement (table 2A), totex analysis - wholesale (table 2B), cost analysis - retail (table 2C), historical cost analysis of tangible fixed assets (table 2D), analysis of grants and contributions: wholesale (table 2E), residential retail (table 2F), revenue analysis (table 2I), infrastructure network reinforcement costs (table 2J), infrastructure charge reconciliation (table 2K), analysis of land sales (table 2L), revenue reconciliation (table 2M), residential retail - social tariffs (table 2N), historical cost analysis of intangible fixed assets (table 2O) and the related notes.

We have not audited the Outcome performance tables (3A to 3H) or the additional regulatory information in tables 4A to 4W, 5A and 5B, 6A to 6D, 9A, and 11A.

In our opinion, Sutton and East Surrey Water Plc's Regulatory Accounting Statements have been prepared, in all material respects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA (RAG 1.09, RAG 2.08, RAG 2.09, RAG 3.14, RAG 4.11 and RAG 5.07) and the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.14, appendix 2), set out on page 21.

Basis for opinion

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

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

Emphasis of matter - special purpose basis of preparation

We draw attention to the fact that the Regulatory Accounting Statements have been prepared in accordance with a special purpose framework, Condition F, the Regulatory Accounting Guidelines, the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.14, appendix 2) set out in the statement of accounting policies and under the historical cost convention. The nature, form and content of the Regulatory Accounting Statements are determined by the WSRA. As a result, the Regulatory Accounting Statements may not be suitable for another purpose. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA's purposes. Accordingly, we make no such assessment. In addition, we are

not required to assess whether the methods of cost allocation set out in the accounting methodology statement are appropriate to the circumstances of the Company or whether they meet the requirements of the WSRA.

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

The Regulatory Accounting Statements on pages 20 to 65 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from UK GAAP. A summary of the effect of these departures in the Company's statutory financial statements is included in the tables within section 1.

Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

- Initial discussions with Management and the Audit Committee to understand the going concern risks facing the company, which predominantly related to uncommitted funding requirements over the going concern assessment period, with such additional funding being required for the purpose of

both liquidity and in order to meet debt covenant requirements.

- Review of Management's cash flow and covenant ratio forecasts, which included verifying the mathematical accuracy and performing reasonableness checks of key assumptions (such as capital spend, revenue growth and cost inflation). This allowed for the total uncommitted funding requirement over the 12 month going concern forecast period to be known, both on a base case and on severe but plausible downside scenarios.
- Reviewing the letters of support from the ultimate shareholders to verify that the appropriate level, nature and duration of commitment was included.
- Holding meetings with the ultimate shareholders to verify that: appropriate approvals had been granted for the letters to be signed; the funding requirements of Sutton and East Surrey Water Plc were well understood (both on a base case as well as severe but plausible downside scenarios); there were no significant conditions associated with the support committed; and there were sufficient cash resources available to the shareholders to provide the necessary support.
- Inspection of most recent audited or reviewed financial accounts of the shareholders to verify that sufficient resources exist such that the necessary commitment could be issued.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Other information

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

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

We have nothing to report based on these responsibilities.

Responsibilities of the directors for the Annual Performance Report

As explained more fully in the Statement of directors' responsibilities set out on page 12, the directors are responsible for the preparation of the Annual Performance Report in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA and the Company's accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.14, appendix 2).

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

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

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

Our objectives are to obtain reasonable assurance about whether the Regulatory Accounting Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 the Regulatory Accounting Statements.

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

Independent auditor's report to the Water Services Regulation Authority (the WSRA) and the directors of Sutton and East Surrey Water Plc continued

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

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

- had a direct effect on the determination of material amounts and disclosures in the Regulatory Accounting Statements. These included Regulatory Accounting Guidelines as issued by The Water Services Regulation Authority ("Ofwat"), UK tax legislation, pensions legislation and the Companies Act 2006; and
- do not have a direct effect on the Regulatory Accounting Statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the Water Industry Act 1991, health and safety regulation (including the requirements of the Health and Safety at Work etc Act 1974) and environmental regulation.

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

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

- Enquiries of Management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud.
- Evaluation of Management's control to prevent and detect irregularities.
- Challenging assumptions and judgements made by Management in their significant accounting estimates and judgements, in particular in relation to the recoverability of trade debtors, accuracy of the measured income accrual and capitalisation of salary costs, including the disclosure of such matters in the financial statements.
- Identifying and testing journal entries, in particular any journal entries with an unusual combination of account codes where credits have gone to revenue, or journals with certain key unusual words.
- Incorporating elements of unpredictability into the audit procedures performed.

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

Use of this report

This report is made, on terms that have been agreed, solely to the Company and the WSRA in order to meet the requirements of Condition F of the Instrument of Appointment granted by the Secretary of State for the Environment to the Company as a water and sewage undertaker under the Water Industry Act 1991 ("Condition F"). Our audit work has been undertaken so that we might state to the Company and the WSRA those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under Condition F to procure such a report and (b) to facilitate the carrying out by the WSRA of its regulatory functions, and for no

other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the WSRA, for our audit work, for this report or for the opinions we have formed.

Our opinion on the Regulatory Accounting Statements is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2023 on which we reported on 14 July 2023, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

Chartered Accountants
and Statutory Auditors

London

14 July 2023

Regulatory accounts 2023

The regulatory accounts and additional information which form part of this Annual Performance Report (APR) are provided to comply with Condition F of the Instrument of Appointment (the 'Licence') of Sutton and East Surrey Water Plc, trading as SES Water (the 'Company'), as a water undertaker under the Water Industry Act 1989. Our licence can be found on the Ofwat website at: https://www.ofwat.gov.uk/wp-content/uploads/2015/10/lic_lic_ses.pdf

The regulatory accounts are prepared in accordance with the Regulatory Accounting Guidelines (RAGs) issued by the Water Services Regulatory Authority, 'Ofwat', and are based on International Financial Reporting Standards (IFRS).

The regulatory accounts should be read in conjunction with the statutory Annual Report and Accounts for the year ended 31 March 2023.

The accounting policies adopted for these regulatory accounts are the same as these set out in the financial statements except where a different treatment is required in order to comply with the Regulatory Accounting Guidelines. The differences between statutory and RAG definitions are explained after each relevant table.

Definitions of appointed and non-appointed business

The regulatory accounts separate the results of Sutton and East Surrey Water Plc into appointed and non-appointed activities.

Appointed activities are defined in Condition A of the Licence to be the 'functions of' and the 'duties imposed on' a water undertaker by the Water Industry Act 1991. Appointed activities are consequently those activities that are necessary in order for the Company to fulfil its functions and duties as a water undertaker.

In general, non-appointed activities are activities for which either the water undertaker is not a monopoly supplier (for example, the provision of billing and collection services for another undertaker) or the activity involves the optional use of an asset owned by the appointed business (for example, the provision of vehicle maintenance services to the public).

For the year ended 31 March 2023, there are no fundamental changes in the RAGs in terms of accounting principles for regulatory purposes. However, as this is the third year of the five-year price control cycle, the reporting format has been expanded on to include tables showing data over the current price control period, as well as the year to date, where applicable and required under the RAGs.

In addition to new reporting requirements for some areas such as Developer Services, Innovation Funding, and Social Tariffs, many of the data tables have been restructured to allow relevant information to be more accessible.

Production of regulatory accounts

All costs are extracted directly from the Company's accounting systems, with appropriate activity codes already assigned for direct costs. Indirect costs are allocated between wholesale (water resources and network+), and retail (household and non-household) using appropriate activity drivers as required by Regulatory Accounting Guidelines RAG 2, RAG 3, RAG 4 and normal accounting practice. Our 'Accounting Separation Methodology Statement' is published on the Company's website.

The following regulatory accounts tables prepared in accordance with the Regulatory Accounting Guidelines are grouped into the following categories:

- Tables 1A to 1F – Regulatory financial reporting tables showing financial information aligned to the way in which price controls have been set
- Tables 2A to 2O – Price control and additional segmental reporting tables which explain in more detail the revenue and costs to allow stakeholders to review performance against Final Determinations from Ofwat
- Tables 3A to 3H – Performance summary tables providing information on the performance of the appointed business against the performance commitments and outcome delivery incentives (ODIs)
- Tables 4A to 4J – Additional regulatory information showing financial and non-financial information
- Tables 4N -6D onwards provide additional financial and non-financial information
- Tables 4B and 4L are not published in this document due to their size
- Table 9A provides information on the innovation competition
- Table 10 – For green recovery, not relevant to SES
- Table 11A – CO₂ emissions.

1A – Income statement

for the 12 months ended 31 March 2023

	Statutory £'000	Adjustments		Total adjustments £'000	Total appointed activities £'000
		Differences between statutory and RAG definitions £'000	Non- appointed £'000		
1A.1 Revenue	67,446	(2,567)	(2,375)	(4,942)	62,504
1A.2 Operating costs	(64,276)	(79)	1,260	1,181	(63,095)
1A.3 Other operating income	1,097	-	-	-	1,097
1A.4 Operating profit	4,267	(2,646)	(1,115)	(3,761)	506
1A.5 Other income	-	2,817	-	2,817	2,817
1A.6 Interest income	855	-	-	-	855
1A.7 Interest expense	(30,612)	-	-	-	(30,612)
1A.8 Other interest expense	-	-	-	-	-
1A.9 Loss before tax and fair value movements	(25,490)	171	(1,115)	(944)	(26,434)
1A.10 Fair value gains/(losses) on financial instruments	-	-	-	-	-
1A.11 Loss before tax	(25,490)	171	(1,115)	(944)	(26,434)
1A.12 UK corporation tax	(528)	(32)	212	180	(348)
1A.13 Deferred tax	6,507	-	-	-	6,507
1A.14 Loss for the year	(19,511)	139	(903)	(764)	(20,275)
1A.15 Dividends	(8,100)	-	5,000	5,000	(3,100)

The differences between statutory and Regulatory Accounting Guidelines are provided in the notes on page 21.

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Tax analysis					
1A.16 Current year	-	32	(212)	(180)	(180)
1A.17 Adjustments in respect of prior years	528	-	-	-	528
1A.18 UK corporation tax	528	32	(212)	(180)	348
Analysis of non-appointed revenue					
Southern Water – Conveyancing Income	-	-	2	-	-
Garage Income	-	-	(308)	-	-
Thames Water – Commission & Conveyancing Income	-	-	(2,039)	-	-
Rental Income	-	-	(30)	-	-
1A.22 Total	-	-	(2,375)	-	-

A reconciliation of actual tax payable to forecast tax in the PR19 Final Determination is provided in the notes on page 22.

Reconciliation of effective tax rate for appointed activities

The current tax charge for the year is lower than the standard rate of corporation tax in the UK of 19%.

The differences are explained below:

	2023 £'000
Loss before tax	(26,434)
Tax credit using the UK corporation tax rate of 19%	(5,022)
Effects of:	
Capital allowances for the year exceeding depreciation	2,388
Allowable depreciation on deferred revenue expenditure	(125)
Profit on disposal of fixed assets	(15)
Defined benefit pension adjustment	69
Tax credit for current year	(2,705)
Adjustments in respect of prior years	(528)
Total current tax credit	(3,233)

1. Accounting policies

The accounting policies adopted for these regulatory accounts are the same as those set out on our website except where a different treatment is required in order to comply with RAGs published by the Water Services Regulation Authority. Full statutory accounts can be found at <https://ar2023.seswater.co.uk/>.

Cost allocation to individual price controls

The allocation of costs between operating costs, capital expenditure and capital maintenance is based on RAG 2, RAG 3, RAG 4 and normal accounting practice. Items of a capital nature costing less than £250 are written off to operating expenditure. This practice has not changed from previous years.

Leakage control costs, including those incurred through third parties and by the Company's own employees, are treated as operating expenditure.

All costs are extracted directly from the Company's accounting systems, with appropriate activity codes already assigned. Allocations for indirect costs between wholesale and retail, within wholesale between the sub-service categories of water resources, raw water distribution, water treatment and treated water distribution, and within retail between household and non-household activities, are undertaken using appropriate activity drivers as required by Regulatory Accounting Guidelines and in accordance with the Company's 'Accounting Separation Methodology Statement', as published on the Company's website.

2. Explanation of differences between statutory and RAG definitions

The table below takes the statutory income statement and shows the adjustments that are made to arrive at the regulatory income statement for the appointed business, including differences between accounting and regulatory accounting guidelines.

Note	Capital contributions ^(a)	STOR revenue ^(b)	Meter reading income ^(c)	De-recognised revenue ^(d)	Rental revenue ^(e)	Total differences as per table 1A
Revenue	(2,304)	(131)	120	261	(513)	(2,567)
Operating costs	-	131	(120)	(90)	-	(79)
Other operating income	-	-	-	-	-	-
Operating profit	(2,304)	-	-	171	(513)	(2,646)
Other income	2,304	-	-	-	513	2,817
Profit before tax	-	-	-	171	-	171

- Grants and contributions treated as revenue in the statutory accounts, but as other income in the regulatory accounts (Ofwat clarification).
- Income from National Grid's Short Term Operating Regime (STOR) for use of the appointed business standby generators to assist with peak electricity demand - treated as revenue in the statutory accounts, but as negative operating expenditure in the regulatory accounts.
- Income from reading meters on behalf of retailers is offset against operating costs in the statutory accounts, but as revenue in the regulatory accounts.
- Under IFRS 15, revenue judged as unlikely to be collected was de-recognised in the statutory accounts with an offsetting adjustment made to the bad debt provision and revenue from prior years being recognised. For the regulatory accounts, RAG 1.07 states that 'where an amount is billed, it is probable that cash will be collected, and that no judgement should be applied to probability of collection,' therefore for regulatory accounts this statutory adjustment has been reversed.
- Rental revenue is treated as revenue in the statutory accounts, but as other income in the regulatory accounts.

1A – Income statement continued

3. Reconciliation of actual tax payable to tax included in the PR19 Final Determination

The table below compares forecast taxable profit and each forecast adjustment to taxable profit that was included in the PR19 Final Determination (FD) financial model with actual taxable profit and actual adjustments that applied in 2022/23.

Details of the tax strategy for SES Water are set out in the Annual Report and Accounts (see Corporate governance report pages 82 and 83).

	Appointed activities £'000	Non-appointed £'000	Definition differences £'000	Total £'000	Final Determination Wholesale £'000	Final Determination Retail £'000	Final Determination Total £'000	Difference £'000	Tax difference @19% £'000
Taxable profit	(26,434)	1,115	(171)	(25,490)	4,149	(10)	4,139	(29,629)	(5,630)
Adjustments for									
Depreciation	12,750	-	-	12,750	-	-	-	12,750	2,422
Depreciation allowed under SP3/91	(252)	-	-	(252)	-	-	-	(252)	(48)
Allowable depreciation on deferred revenue expenditure	(658)	-	-	(658)	-	-	-	(658)	(125)
Profit on disposal of fixed assets	(79)	-	-	(79)	-	-	-	(79)	(15)
Capital allowances	(60)	-	-	(60)	-	-	-	(60)	(11)
Defined benefit pension adjustment	365	-	-	364	-	-	-	365	69
Net taxable on intangible fixed asset	131	-	-	131	-	-	-	131	25
Resulting in:									
Adjusted trading profit(loss) before tax	(14,238)	1,115	(171)	(13,294)	4,149	(10)	4,139	(17,433)	(3,312)
Tax based on UK corporation tax rate assumed in FD (17%)	(2,420)	190	(29)	(2,260)	705	(2)	703	(2,964)	
Difference due to actual UK corporation tax rate	(285)	22	(3)	(266)	83	(0)	83	(349)	
Tax based on UK corporation tax rate of 19%	(2,705)	212	(32)	(2,526)	788	(2)	786	(3,312)	

1B – Statement of comprehensive income

for the 12 months ended 31 March 2023

		Statutory £'000	Adjustments		Total adjustments £'000	Total appointed activities £'000
			Differences between statutory and RAG definitions £'000	Non- appointed £'000		
1B.1	Profit for the year	(19,511)	139	(903)	(764)	(20,275)
1B.2	Actuarial losses on post-employment plans	(17,248)	-	-	-	(17,248)
1B.3	Other comprehensive income	4,312	-	-	-	4,312
1B.4	Total comprehensive income for the year	(32,447)	139	(903)	(764)	(33,211)

Other comprehensive gains is due to the movement of deferred tax relating to the actuarial gains on post-employment plans.

The differences between statutory and regulatory definitions are shown above in table 1A.

1C – Statement of financial position

as at 31 March 2023

		Statutory £'000	Adjustments		Total adjustments £'000	Total appointed activities £'000
			Differences between statutory and RAG definitions £'000	Non- appointed £'000		
Non-current assets						
1C.1	Fixed assets	370,656	-	-	-	370,656
1C.2	Intangible assets	12,746	-	-	-	12,746
1C.3	Investments – loans to group companies	-	-	-	-	-
1C.4	Investments – other	-	-	-	-	-
1C.5	Financial instruments	-	-	-	-	-
1C.6	Retirement benefit assets	9,211	-	-	-	9,211
1C.7	Total	392,613	-	-	-	392,613
Current assets						
1C.8	Inventories	378	-	-	-	378
1C.9	Trade & other receivables	33,620	1,372	(526)	846	34,466
1C.10	Financial instruments	-	-	-	-	-
1C.11	Cash & cash equivalents	38,957	-	(600)	(600)	38,357
1C.12	Total	72,955	1,372	(1,126)	246	73,201
Current liabilities						
1C.13	Trade & other payables	(48,076)	3,905	259	4,164	(43,912)
1C.14	Capex creditor	-	(3,905)	-	(3,905)	(3,905)
1C.15	Borrowings	(22,307)	-	-	-	(22,307)
1C.16	Financial instruments	-	-	-	-	-
1C.17	Current tax liabilities	-	(261)	212	(49)	(49)
1C.18	Provisions	-	-	-	-	-
1C.19	Total	(70,383)	(261)	471	210	(70,173)
1C.20	Net Current assets/(liabilities)	2,572	1,111	(655)	456	3,028
Non-current liabilities						
1C.21	Trade & other payables	-	-	-	-	-
1C.22	Borrowings	(273,383)	-	-	-	(273,383)
1C.23	Financial instruments	-	-	-	-	-
1C.24	Retirement benefit obligations	(802)	-	-	-	(802)
1C.25	Provisions	-	-	-	-	-
1C.26	Deferred income – G&C's	-	-	-	-	-
1C.27	Deferred income – adopted assets	-	-	-	-	-
1C.28	Preference share capital	-	-	-	-	-
1C.29	Deferred tax	(43,724)	-	-	-	(43,724)
1C.30	Total	(317,909)	-	-	-	(317,909)
1C.31	Net assets	77,275	1,111	(655)	456	77,731
Equity						
1C.32	Called up share capital	51,489	-	-	-	51,489
1C.33	Retained earnings & other reserves	25,786	1,111	(655)	456	26,242
1C.34	Total equity	77,275	1,111	(655)	456	77,731

Cash attributable to non-appointed activities at 31 March 2023 was £0.6m. Cash held by the Company was £38.957m. Appointed activities are, therefore, deemed to hold cash for £38.357m.

Explanation of differences between statutory and RAG definitions

Note	De-recognised revenue ^(a)	Tax liability ^(b)	Capex creditor ^(c)	Total differences as per table 1C
Non-current assets	-	-	-	-
Current assets	1,372	-	-	1,372
Trade & other payables	-	-	3,905	3,905
Capex creditor	-	-	(3,905)	(3,905)
Current tax liabilities	-	(261)	-	(261)
Net current assets/(liabilities)	1,372	(261)	-	1,111
Non-current liabilities	-	-	-	-
Net assets	1,372	(261)	-	1,111
Equity	1,372	(261)	-	1,111

- a) Revenue de-recognised in statutory accounts is shown as a bad debt in the regulatory accounts, changing bad debt provision. This has been reallocated to Provisions within the year.
- b) Tax liability arising from revenue de-recognised revenue being re-instated.
- c) Capex creditors are separated out in the regulatory accounts, but included within trade and other payables in the statutory accounts.

1D – Statement of cash flows

for the 12 months ended 31 March 2023

	Statutory £'000	Adjustments		Total adjustments £'000	Total appointed activities £'000	
		Differences between statutory and RAG definitions £'000	Non- appointed £'000			
Operating activities						
1D.1	Operating profit	4,267	(2,646)	(1,115)	(3,761)	506
1D.2	Other income	-	2,817	-	2,817	2,817
1D.3	Depreciation	13,648	-	-	-	13,648
1D.4	Amortisation - G&C's	-	-	-	-	-
1D.5	Changes in working capital	(4,798)	(171)	277	106	(4,692)
1D.6	Pension contributions	365	-	-	-	365
1D.7	Movement in provisions	1,458	-	-	-	1,458
1D.8	Profit on sale of fixed assets	(79)	-	-	-	(79)
1D.9	Cash generated from operations	14,861	-	(838)	(838)	14,023
1D.10	Net interest paid	(8,174)	172	-	172	(8,002)
1D.11	Tax paid	1,512	-	227	227	1,739
1D.12	Net cash generated from operating activities	8,199	172	(611)	(439)	7,760
Investing activities						
1D.13	Capital expenditure	(23,521)	-	-	-	(23,521)
1D.14	Grants & contributions	-	-	-	-	-
1D.15	Disposal of fixed assets	105	-	-	-	105
1D.16	Other	172	(172)	-	(172)	-
1D.17	Net cash used in investing activities	(23,244)	(172)	-	(172)	(23,416)
1D.18	Net cash generated before financing activities	(15,045)	-	(611)	(611)	(15,656)
Cash flows from financing activities						
1D.19	Equity dividends paid	(8,100)	-	5,000	5,000	(3,100)
1D.20	Net loans received	23,000	-	-	-	23,000
1D.21	Cash inflow from equity financing	-	-	-	-	-
1D.22	Net cash generated from financing activities	14,900	-	5,000	5,000	19,900
1D.23	Increase (decrease) in net cash	(145)	-	4,389	4,389	4,244

Working capital is made up of changes in inventory, trade and other receivables, and amounts from and due from other companies.

Explanation of differences between statutory and RAG definitions

Note	Income statement ^(a)	Interest received ^(b)	Total differences as per table 1D
Operating activities			
Operating profit	(2,646)	-	(2,646)
Other income	2,817	-	2,817
Changes in working capital	(171)	-	(171)
Changes in provisions	-	-	-
Cash generated from operations	-	-	-
Net interest paid	-	172	172
Net cash generated from operating activities	-	172	172
Net cash used in investing activities	-	(172)	(172)
Net cash generated before financing activities	-	-	-
Net cash generated from financing activities	-	-	-
Increase (decrease) in net cash	-	-	-

a) Definition differences from income statement and the statement of financial position as noted in table 1C.

b) Interest received is shown separately in statutory accounts, but is netted off against interest paid in regulatory accounts.

1E – Net debt analysis (appointed activities)

at 31 March 2023

		Interest rate risk profile			
		Fixed rate £'000	Floating rate £'000	Index-linked RPI £'000	Total £'000
Interest rate risk profile					
1E.1	Borrowings (excluding preference shares)	22,939	75,000	197,751	295,690
1E.3	Total borrowings				295,690
1E.4	Cash				(38,357)
1E.5	Short-term deposits				-
1E.6	Net debt				257,333
Gearing					
1E.7	Gearing				77.0%
1E.8	Adjusted Gearing				77.0%
Interest					
1E.9	Full year equivalent nominal interest cost	1,353	3,858	33,164	38,375
1E.10	Full year equivalent cash interest payment	1,353	3,858	5,683	10,894
Indicative interest rates					
1E.11	Indicative weighted average nominal interest rate	5.9%	5.1%	16.8%	13.0%
1E.12	Indicative weighted average cash interest rate	5.9%	5.1%	2.9%	3.7%
Time to maturity					
1E.13	Weighted average years to maturity	5.56	1.54	8.17	6.29

The Regulatory Capital Value (RCV) used in the above calculation is £334.027m which was published by Ofwat in May 2023.

Fixed rate borrowings include a short-term bank loan of £15m and a shareholder's loan of £7m, the remaining £0.939m being made up of car leases.

Consistent with prior years, the net debt figure includes unamortised bond fees (£3.5m) and all appointed cash balances of £38.357m. Gearing is defined as net debt over RCV as noted above. In addition, when calculating the full year equivalent cash interest payment, we have included the unamortised fees for consistency with the figure 1E.1.

Adjusted gearing reflects the definitions of the financial covenants associated with the Company's index-linked bond which excludes from the definition of net debt unamortised bond issuance costs and cash balances other than those held in ring-fenced accounts specified by the bond documentation.

We do not use derivative financial instruments to hedge exposure to credit and interest rate risks arising in the normal course of business and do not have any exposure to currency risk, since all activities are conducted in the UK and all borrowings are denominated in pounds sterling. We have therefore not included Ofwat's financial derivatives table in the annual report.

Full year equivalent nominal interest does not equal the interest cost in the income statement as nominal interest is calculated as the nominal interest rate multiplied by the Principal sum as at 31 March 2023.

1F – Financial flows

for the 12 months ended 31 March 2023

	Notional returns and notional regulatory equity %	Actual returns and notional regulatory equity %	Actual returns and actual regulatory equity %	Notional returns and notional regulatory equity £'000	Actual returns and notional regulatory equity £'000	Actual returns and actual regulatory equity £'000
1F.1	Regulatory equity (£k)	109,106	109,106	78,896	-	-
1F.2	Return on regulatory equity	3.94 %	2.85 %	3.94 %	4,296	3,107
Financing						
1F.3	Impact of movement from notional gearing	-	1.09 %	1.06 %	-	1,190
1F.4	Gearing benefits sharing	-	-	-	-	-
1F.5	Variance in corporation tax	-	1.25 %	1.72 %	-	1,359
1F.6	Group relief	-	-	-	-	-
1F.7	Cost of debt	-	(3.46)%	(5.96)%	-	(3,777)
1F.8	Hedging instruments	-	-	-	-	-
1F.9	Return on regulatory equity including Financing adjustments	3.94 %	1.72%	0.76%	4,296	1,879
Operational performance						
1F.10	Totex out/(under)performance	-	(3.12)%	(4.31)%	-	(3,404)
1F.11	ODI out/(under)performance	-	(0.82)%	(1.13)%	-	(890)
1F.12	C-MeX out/(under)performance	-	(0.17)%	(0.23)%	-	(181)
1F.13	D-MeX out/(under)performance	-	(0.06)%	(0.08)%	-	(63)
1F.14	Retail out/(under)performance	-	(2.21)%	(3.06)%	-	(2,414)
1F.15	Other exceptional items	-	-	-	-	-
1F.16	Operational performance total	-	(6.37)%	(8.81)%	-	(6,952)
1F.17	RoRE (return on regulatory equity)	3.94%	(4.65)%	(8.05)%	4,296	(5,071)
1F.18	RCV growth	11.83%	11.83%	11.83%	12,903	12,903
1F.19	Voluntary sharing arrangements	-	-	-	-	-
1F.20	Total shareholder return	15.76%	7.18%	3.78%	17,199	7,829
Dividends						
1F.21	Gross Dividend	0.96%	2.41%	3.33%	1,050	2,626
1F.22	Interest Receivable on Intercompany Loans	-	-	-	-	-
1F.23	Retained Value	14.80%	4.77%	0.45%	16,148	5,203
Cash impact of 2015-20 performance adjustments						
1F.24	Totex out/underperformance	-	(0.11)%	(0.15)%	-	(122)
1F.25	ODI out/underperformance	-	0.19 %	0.26 %	-	208
1F.26	Total out/underperformance	-	0.08 %	0.11 %	-	86

The second part of the financial flows table showing the average over the AMP is on page 31.

The information has been produced in accordance with the guidance provided by Ofwat and allows a comparison between the returns under our actual capital structure and the returns set by the regulator under a notional capital structure.

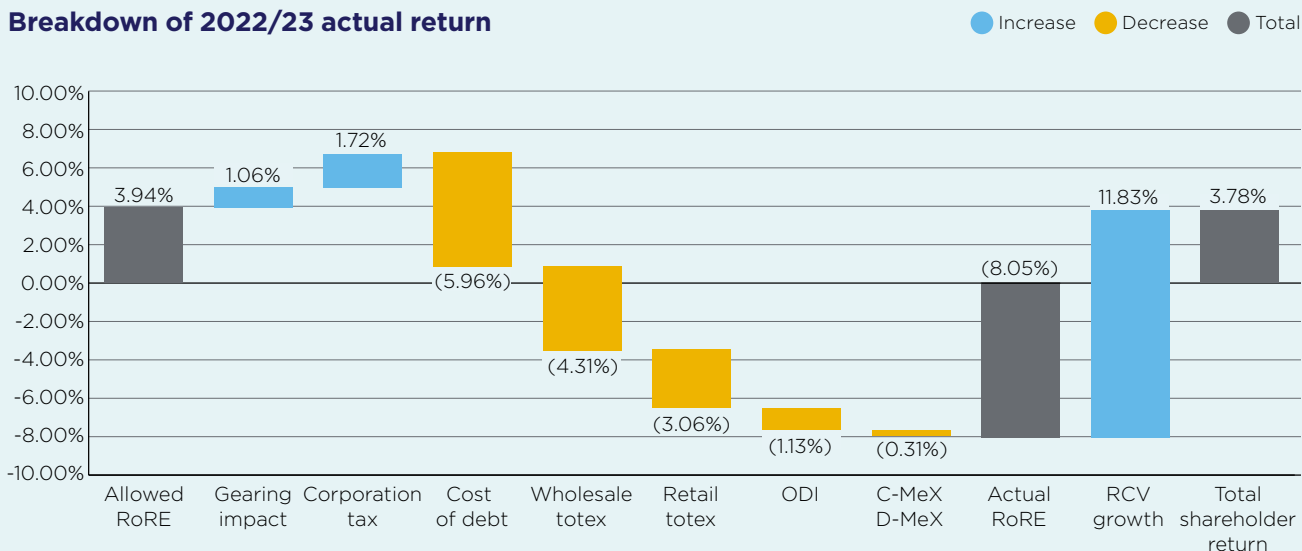
The total actual return to external shareholders generally comprises of the following:

- base return set during the PR19 FD;
- outturn financial and operational performance compared with our set allowances/targets; and
- growth in RCV arising from inflation.

The cost sharing ratio included in 1F when calculating totex performance is 55% per the FD.

1F – Financial flows continued

Breakdown of 2022/23 actual return



For year ended 31 March 2023, the Final Determination set our base return at 3.94% applicable to Ofwat’s notional capital structure with notional gearing of 60%. Our actual results are discussed further below:

Our financing activities decreased returns by 3.18% from 3.94% (notional) to 0.76% (actual), which can be attributed to the following reasons:

- Our average gearing of 77% is higher than the 60% assumed by Ofwat for a notional company, which had the impact of increasing returns by £840k or 1.06%. The higher gearing amplifies the percentage return to external shareholders, because debt has a lower required return than equity. Another impact of higher gearing level is that it increases the volatility of external shareholder returns, which become proportionately more sensitive to levels of out or underperformance.
- The tax expense for the year was zero mainly due to the high cost of interest expenses resulting in a loss before tax and, therefore, the tax expense impact increased returns by £1.359m or 1.72% compared with the Final Determination allowance.
- Rising inflation rates have increased charges on the RPI-linked bond. Cost of debt is higher than compared with the Final Determination allowance, lowering returns by £4.702m or (5.96%).

Our operational performance decreased returns for the financial year by 8.81% or £6.952m which is due to various factors:

- Our whole totex spend was £3.404m or 4.31% higher than the Final Determination (2017/18 prices) due to a variety of factors, increase in cost of new connections under developer services, increased capex costs based on the base and enhancing expenditure alongside the rising inflation, which has had an impact on costs all round.
- ODI were scored lower than target and we expect a penalty around £890k (1.13%).
- C-MeX and D-MeX were scored adversely and we will encounter a penalty amounting to £244k (0.31%).
- Our retail totex performance reflects a challenging FD allowance, which has been further impacted all round due to inflation.

Inflation, namely the average yearly growth in CPIH and RPI, increases RCV growth by 11.83%, against 7.25% in 2022 and 1% in 2021.

We do not have any voluntary sharing arrangements for AMP 7.

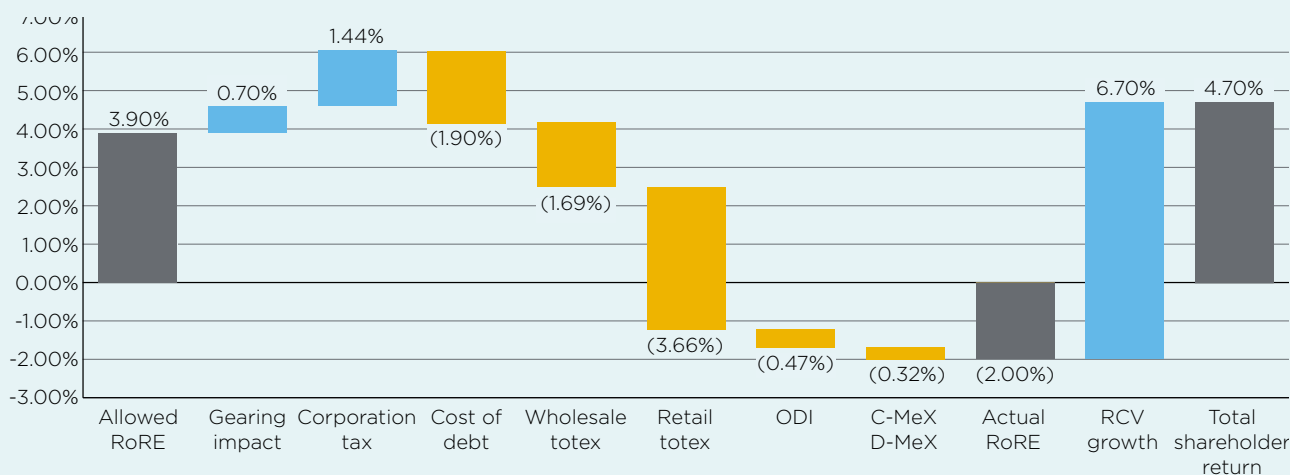
Financial performance of the first three years of AMP 7 – average of 2020 to 2023

	Notional returns and notional regulatory equity %	Actual returns and notional regulatory equity %	Actual returns and actual regulatory equity %	Notional returns and notional regulatory equity £'000	Actual returns and notional regulatory equity £'000	Actual returns and actual regulatory equity £'000
1F.1	Regulatory equity	105,238	105,238	76,245	-	-
1F.2	Return on regulatory equity	3.90%	2.82%	3.90%	4,100	2,970
Financing						
1F.3	Impact of movement from notional gearing	-	1.07%	0.70%	-	1,129
1F.4	Gearing benefits sharing	-	-	-	-	-
1F.5	Variance in corporation tax	-	1.04%	1.44%	-	1,137
1F.6	Group relief	-	-	-	-	-
1F.7	Cost of debt	-	(1.09)%	(1.90)%	-	(1,195)
1F.8	Hedging instruments	-	-	-	-	-
1F.9	Return on regulatory equity including Financing adjustments	3.90 %	3.84%	4.14%	4,100	4,042
Operational performance						
1F.10	Totex out/(under)performance	-	(1.22)%	(1.69)%	-	(1,329)
1F.11	ODI out/(under)performance	-	(0.34)%	(0.47)%	-	(371)
1F.12	C-MeX out/(under)performance	-	(0.12)%	(0.16)%	-	(130)
1F.13	D-MeX out/(under)performance	-	(0.12)%	(0.16)%	-	(127)
1F.14	Retail out/(under)performance	-	(2.65)%	(3.66)%	-	(2,887)
1F.15	Other exceptional items	-	-	-	-	-
1F.16	Operational performance total	-	(4.44)%	(6.14)%	-	(4,844)
1F.17	RoRE (return on regulatory equity)	3.90%	(0.60)%	(2.00)%	4,100	(803)
1F.18	RCV growth	6.70%	6.70%	6.70%	7,047	7,047
1F.19	Voluntary sharing arrangements	-	-	-	-	-
1F.20	Total shareholder return	10.58%	6.08%	4.70%	11,147	6,245
Dividends						
1F.21	Gross Dividend	1.27 %	2.99 %	4.12 %	1,341	3,143
1F.22	Interest Receivable on Intercompany Loans	-	(0.12)%	(0.16)%	-	(122)
1F.23	Retained Value	9.31 %	3.23 %	0.73 %	9,805	3,224
Cash impact of 2015-20 performance adjustments						
1F.24	Totex out/underperformance	-	(0.12)%	(0.16)%	-	(122)
1F.25	ODI out/underperformance	-	0.20 %	0.27 %	-	208
1F.26	Total out/underperformance	-	0.08 %	0.11 %	-	86

1F – Financial flows continued

Breakdown of average returns over current price control period

● Increase ● Decrease ● Total



The Final Determination set our base return at 3.9% applicable to Ofwat’s notional capital structure with notional gearing of 60% for the average over financial years 2021 to 2023. Our actual results are discussed further below:

Our financial activities decreased returns by 0.24% from 3.90% (notional) to 4.14% which can be attributed to the following reasons:

- Average gearing of 73.5% during the AMP to date is higher than the 60% assumed by Ofwat for a notional company, which had the impact of increasing average returns by £552k or 0.70%. The higher gearing amplifies the percentage return to external shareholders, because debt has a lower required return than equity. Another impact of higher gearing levels is that it increases the volatility of external shareholders returns, which become proportionately more sensitive to levels of out or underperformance.
- The tax expense for the year mirrors the same as the previous year’s, which was zero due to the challenging operating environment resulting in a loss before tax and, therefore, the tax expense impact increased returns by £1,137k or 1.44%.
- The continuing rise of inflation rates has impacted the charges on the RPI-linked bond in the last two years, opposite to the first year of the AMP, where it was lower than the assumption in the Final Determination. Cost of debt is higher than compared with the Final Determination allowance returns, £1,496k or 1.90%.

Our operational performance decreased average returns over the price control period by 6.14% or £4,844k, due to a number of reasons:

- Our average wholesale totex spend was £1,329k or 1.69% higher than the Final Determination (in 2017/18 prices), mainly due to factors such as the new connections expenditure and rising inflation.
- On average, the ODI performance has performed below expectations and reduce returns by £371k (0.47%).
- C-MeX and D-MeX performance - the Company has not performed well on these scores and will be penalised £257k (0.32%).
- The average retail performance reflects a challenging FD allowance, which has been further impacted by higher costs associated with the implementation of our new billing system ‘Aptumo’, investment in enhancing our customer service alongside the contracting of the new debt collection agency.

2A – Segmental income statement

for the 12 months ended 31 March 2023

	Residential retail £'000	Water resources £'000	Water network+ £'000	Total £'000
2A.1 Revenue – price control	5,007	5,681	51,120	61,808
2A.2 Revenue – non-price control	-	70	626	696
				-
2A.5 Operating expenditure	(7,797)	(5,627)	(36,022)	(49,446)
				-
2A.6 Depreciation – tangible fixed assets	(2)	(716)	(12,032)	(12,750)
2A.7 Amortisation – intangible fixed assets	(610)	(6)	(283)	(899)
2A.8 Other operating income	224	63	810	1,097
2A.9 Operating profit	(3,179)	(534)	4,219	506

The basis of cost allocations used in this segmental income statement is described in note 1A on page 21. 'Water network+' activities include raw water transport and storage, water treatment and treated water distribution in accordance with the definitions in the RAGs.

Residential retail activities made an operating loss of £2.816m due to high costs, as noted on page 35 (table 2C).

2B – Totex analysis – wholesale

for the 12 months ended 31 March 2023

	Water resources £'000	Water network+ £'000	Total £'000
Base operating expenditure			
2B.1 Power	1,758	4,665	6,423
2B.2 Income treated as negative expenditure	-	(131)	(131)
2B.3 Service charges/discharge consents	1,025	-	1,025
2B.4 Bulk supply/bulk discharge	-	244	244
2B.5 Renewals expensed in year (infrastructure)	-	-	-
2B.6 Renewals expensed in year (non-infrastructure)	-	-	-
2B.7 Other operating expenditure (including Location specific costs & obligations)	2,817	25,923	28,740
2B.8 Local authority and Cumulo rates	28	3,406	3,434
2B.9 Total base operating expenditure	5,628	34,107	39,735
Other operating expenditure			
2B.10 Enhancement operating expenditure	-	-	-
2B.11 Developer services operating expenditure	-	1,913	1,913
2B.12 Total operating expenditure excluding third party services	5,628	36,020	41,648
2B.13 Third party services	-	1	1
2B.14 Total operating expenditure	5,628	36,021	41,649
Grants and contributions			
2B.15 Grants and contributions – operating expenditure	-	2,305	2,305
Capital expenditure			
2B.16 Base capital expenditure	739	17,650	18,389
2B.17 Enhancement capital expenditure	-	6,334	6,334
2B.18 Developer services capital expenditure	-	272	272
2B.19 Total gross capital expenditure (excluding third party)	739	24,256	24,995
2B.20 Third party services	-	-	-
2B.21 Total gross capital expenditure	739	24,256	24,995
Grants and contributions			
2B.22 Grants and contributions – capital expenditure	-	-	-
2B.23 Net totex	6,366	57,972	64,338
Cash expenditure			
2B.24 Pension deficit recovery payments	-	-	-
2B.25 Other cash items	-	-	-
2B.26 Totex including cash items	6,366	57,972	64,338

We have no grants and contributions related to capital expenditure in the year.

The income disclosed as negative expenditure is income from National Grid's STOR. This is treated as revenue in the statutory accounts, but as negative operating expenditure in the regulatory accounts.

2C – Cost analysis – retail

for the 12 months ended 31 March 2023

	Household total £'000
Operating expenditure	
2C.1 Customer services	2,440
2C.2 Debt management	467
2C.3 Doubtful debts	1,549
2C.4 Meter reading	443
2C.5 Services to developers	-
2C.6 Other operating expenditure	2,864
2C.7 Local authority and Cumulo rates	34
2C.8 Total operating expenditure excluding third party services	7,797
Depreciation	
2C.9 Depreciation on tangible fixed assets existing at 31 March 2015	-
2C.10 Depreciation on tangible fixed assets acquired after 1 April 2015	-
2C.11 Amortisation on intangible fixed assets existing at 31 March 2015	-
2C.12 Amortisation on intangible fixed assets acquired after 1 April 2015	610
2C.18 Total retail costs excluding third party and pension deficit repair costs	8,407
2C.19 Third party services operating expenditure	-
2C.20 Pension deficit repair costs	-
2C.21 Total retail costs including third party and pension deficit repair costs	8,407
Debt written off	
2C.22 Debt written off	353
Capital expenditure	
2C.23 Capital expenditure	38
Other operating expenditure includes the net retail expenditure for the following household retail activities which are part funded by wholesale	
2C.24 Demand-side water efficiency – gross expenditure	507
2C.25 Demand-side water efficiency – expenditure funded by wholesale	507
2C.26 Demand-side water efficiency – net retail expenditure	-
2C.27 Customer-side leak repairs – gross expenditure	420
2C.28 Customer-side leak repairs – expenditure funded by wholesale	420
2C.29 Customer-side leak repairs – net retail expenditure	-
Comparison of actual and allowed expenditure	
2C.30 Cumulative actual retail expenditure to reporting year end	25,708
2C.31 Cumulative allowed expenditure to reporting year end	16,251
2C.32 Total allowed expenditure 2020-25	27,851

Total operating costs for retail household for 2022/23 amounted to £8.407m. This is £2.816m higher than the allowed residential retail revenue in the Final Determination of £5.59m.

During 2022/23, the household retail price control has seen the following variations in costs:

- Investment in enhancing our customer service and debt collection capabilities.
- A significant increase in meter reading and debt services to 'catch up' from COVID-19 restrictions.
- A significant increase in the bad debt written off and provided for.

2D – Historical cost analysis of tangible fixed assets

for the 12 months ended 31 March 2023

	Residential retail £'000	Water resources £'000	Water network+ £'000	Total £'000
Cost				
2D.1 At 1 April 2022	79	28,655	564,973	593,707
2D.2 Disposals	(38)	(16)	(185)	(239)
2D.3 Additions	-	721	23,993	24,714
2D.4 Adjustments	-	-	-	-
2D.5 Assets adopted at nil cost	-	-	-	-
2D.6 At 31 March 2023	41	29,360	588,781	618,182
Depreciation				
2D.7 At 1 April 2022	(79)	(11,100)	(223,811)	(234,990)
2D.8 Disposals	36	15	162	213
2D.9 Adjustments	-	-	-	-
2D.10 Charge for year	(2)	(716)	(12,032)	(12,750)
2D.11 At 31 March 2023	(45)	(11,801)	(235,681)	(247,527)
2D.12 Net book amount at 31 March 2023	(4)	17,560	353,100	370,655
2D.13 Net book amount at 1 April 2022	-	17,555	341,162	358,717
Depreciation charge for year				
2D.14 Principal services	(2)	(716)	(12,032)	(12,750)
2D.15 Third party services	-	-	-	-
2D.16 Total	(2)	(716)	(12,032)	(12,750)

2E – Analysis of grants and contributions: wholesale

for the 12 months ended 31 March 2023

	Fully Recognised in income statement £'000	Capitalised and amortised in income statement £'000	Fully netted off capex £'000	Total £'000
Grants and contributions – water resources				
2E.1	Diversions – s185	-	-	-
2E.2	Other contributions (price control)	-	-	-
2E.3	Price control grants and contributions	-	-	-
2E.4	Diversions – NRSWA	-	-	-
2E.5	Diversions – other non-price control	-	-	-
2E.6	Other contributions (non-price control)	-	-	-
2E.7	Total	-	-	-
2E.8	Value of adopted assets	-	-	-
Grants and contributions – water network+				
2E.9	Connection charges	1,538	-	1,538
2E.10	Infrastructure charge receipts	847	-	847
2E.11	Requisitioned mains	590	-	590
2E.12	Diversions – s185	21	-	21
2E.13	Other contributions (price control)	5	-	5
2E.14	Price control grants and contributions before deduction of income offset	3,001	-	3,001
2E.15	Income offset	(696)	-	(696)
2E.16	Price control grants and contributions after deduction of income offset	2,305	-	2,305
2E.17	Diversions – NRSWA	-	-	-
2E.18	Diversions – other non-price control	-	-	-
2E.19	Other contributions (non-price control)	-	-	-
2E.20	Total	2,305	-	2,305
2E.21	Value of adopted assets	-	389	389
Movements in capitalised grants and contributions				
2E.34	b/f	-	-	-
2E.35	Capitalised in year	-	-	-
2E.36	Amortisation (in income statement)	-	-	-
2E.37	c/f	-	-	-

2F – Residential retail

for the 12 months ended 31 March 2023

	Revenue £'000	Number of customers	Average residential revenues £
Residential revenue			
2F.1 Wholesale charges	48,293		
2F.2 Retail revenue	5,007		
2F.3 Total residential revenue	53,300		
Retail revenue			
2F.4 Revenue Recovered (RR)	5,007		
2F.5 Revenue sacrifice	-		
2F.6 Actual revenue (net)	5,007		
Customer information			
2F.7 Actual customers (AC)		287,934	
2F.8 Reforecast customers		284,251	
Adjustment			
2F.9 Allowed revenue (R)	5,590		
2F.10 Net adjustment	583		
Other residential information			
2F.11 Average residential retail revenue per customer			17.39

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The household retail revenue allowance for 12 months ended 31 March 2023 was £5.007m. This is £0.583m less than the PR19 Final Determination allowed revenue due to consumption volumes below those originally forecasted.

Tables 2G and 2H are only applicable for Welsh companies and therefore have not been included within this report.

2I – Revenue analysis

for the 12 months ended 31 March 2023

		Household £'000	Non- household £'000	Total £'000	Water resources £'000	Water network+ £'000	Total £'000
	Wholesale charge - water						
2I.1	Unmeasured	19,300	3,375	22,675	2,267	20,408	22,675
2I.2	Measured	28,993	5,132	34,125	3,413	30,713	34,126
2I.3	Third party revenue	-	-	-	-	-	-
2I.4	Total wholesale water revenue	48,293	8,507	56,800	5,680	51,121	56,801
2I.16	Wholesale Total	48,293	8,507	56,800			
	Retail revenue						
2I.17	Unmeasured	1,998	-	1,998			
2I.18	Measured	3,008	-	3,008			
2I.19	Other third party revenue	-	-	-			
2I.20	Retail Total	5,006	-	5,006			
	Third party revenue - non-price control						
2I.21	Bulk supplies - water			442			
2I.23	Other third party revenue			255			
	Principal services - non-price control						
2I.24	Other appointed revenue			-			
2I.25	Total appointed revenue			62,503			

In April 2017, SES water exited the non-household retail market. Non-households can now choose their retailer in the competitive market. Retailers charge non-household customers and pay us wholesale charges. For the 12 months ended 31 March 2023, wholesale revenue to non-household customers totalled £8.507m primarily to retailers.

2J – Infrastructure network reinforcement costs

for the 12 months ended 31 March 2023

	Network reinforcement capex £'000	On site/ site specific capex £'000
2J.1 Distribution and trunk mains	479	-
2J.2 Pumping and storage facilities	-	-
2J.3 Other	-	-
2J.4 Total	479	-

Network reinforcement costs are recognised as incurred. Infrastructure charges are recognised as properties are connected therefore costs may have been incurred in years prior to the income from charges being recognised.

2K – Infrastructure charge reconciliation

for the 12 months ended 31 March 2023

	Water £'000
2K.1 Infrastructure charges	847
2K.2 Discounts applied to infrastructure charges	-
2K.3 Gross infrastructure charges	847
Comparison of revenue and costs	
2K.4 Variance brought forward	(1,732)
2K.5 Revenue	847
2K.6 Costs	(479)
2K.7 Variance carried forward	(1,364)

Disclosed as infrastructure charges within the above table are contributions from other sources that are considered to be their equivalent, though these are disclosed on separate lines within table 2E. This includes infrastructure charges received from NAV providers, and the non-domestic charges.

2L – Analysis of land sales

for the 12 months ended 31 March 2023

	Water resources £'000	Water network+ £'000	Total £'000
2L.1 Proceeds from disposals of protected land	-	-	-

There were no land sales in 2022/23.

2M – Revenue reconciliation

for the 12 months ended 31 March 2022

	Water resources £'000	Water network+ £'000	Total £'000	
Revenue recognised				
2M.1	Wholesale revenue governed by price control	5,680	51,120	56,800
2M.2	Grants & contributions (price control)	-	2,305	2,305
2M.3	Total revenue governed by wholesale price control	5,680	53,425	59,105
Calculation of the revenue cap				
2M.4	Allowed wholesale revenue before adjustments	6,358	58,945	65,303
2M.5	Allowed grants & contributions before adjustments	-	4,841	4,841
2M.6	Revenue adjustment	1	10	11
2M.7	Other adjustments	-	-	-
2M.8	Revenue cap	6,359	63,796	70,155
Calculation of the revenue imbalance				
2M.9	Revenue cap	6,359	63,796	70,155
2M.10	Revenue Recovered	5,680	53,425	59,105
2M.11	Revenue imbalance	679	10,371	11,050

We recovered £5.680m of water resources revenue and £53.425m of water network+ revenue. We therefore under recovered our total allowed revenue by £11.05m (15.2%), which was driven primarily by significantly higher inflation than forecast when tariffs for 2022/23 were set in 2021/22, together with continued lower level of business consumption than initially forecast.

Tariffs will be adjusted in 2024/25 to address this under recovery in line with Ofwat's regulatory rules.

2N – Residential retail – social tariffs

for the 12 months ended 31 March 2023

	Revenue £m	Number of customers '000s	Average amount per customer £
Number of residential customers on social tariffs			
2N.1 Residential water only social tariffs		19.735	
Number of residential customers not on social tariffs			
2N.4 Residential water only, no social tariffs		261.238	
Social tariff discount			
2N.7 Average discount per water only social tariffs customer			78.833
Social tariff cross-subsidy – residential customers			
2N.10 Total customer funded cross-subsidies for water only social tariffs customers	1.567		
2N.13 Average customer funded cross-subsidy per water only social tariffs customer			5.579
Social tariff cross-subsidy – Company			
2N.16 Total revenue forgone by Company to fund cross-subsidies for water only social tariffs customers	(0.012)		
2N.19 Average revenue forgone by Company to fund cross-subsidy per water only social tariffs customer			(0.59)
Social tariff support – willingness to pay			
2N.22 Level of support for social tariff customers reflected in Business Plan			6.000
2N.23 Maximum contribution to social tariffs supported by customer engagement			6.000

20 – Historical cost analysis of intangible fixed assets

for the 12 months ended 31 March 2023

	Residential retail '000s	Water resources '000s	Water network+ '000s	Total £'000
Cost				
20.1 At 1 April 2022	5,497	207	27,133	32,837
20.2 Disposals	-	-	-	-
20.3 Additions	38	33	766	837
20.4 Adjustments	-	-	-	-
20.5 Assets adopted at nil cost	-	-	-	-
20.6 At 31 March 2023	5,535	240	27,899	33,674
Amortisation				
20.7 At 1 April 2022	(179)	(18)	(19,833)	(20,030)
20.8 Disposals	-	-	-	-
20.9 Adjustments	-	-	-	-
20.10 Charge for year	(610)	(6)	(283)	(899)
20.11 At 31 March 2023	(789)	(24)	(20,116)	(20,929)
20.12 Net book amount at 31 March 2023	4,747	216	7,783	12,746
20.13 Net book amount at 1 April 2022	5,319	189	7,300	12,808
Amortisation for year				
20.14 Principal services	(610)	(6)	(283)	(899)
20.15 Third party services	-	-	-	-
20.16 Total	(610)	(6)	(283)	(899)

3A – Outcome performance – Water performance commitments (financial)

Information on our performance is included in ‘Our performance’ (pages 34 to 38 of the Annual Report and Accounts 2023) and in the Financial review (pages 56 to 60 of the Annual Report and Accounts 2023). We have met our target level of performance for the year on 19 out of 25 commitments for 2022/23. Outcomes of the performance commitments (PCs) that are linked to financial reward or penalty for outperformance and underperformance will be reflected in the adjustment of revenue in the 2024/25 financial year. The financial impact shown in this table has been calculated based on the incentive rates as published in Ofwat’s Final Determination for SES Water.

for the 12 months ended 31 March 2023

	units	2022/23 performance level – actual	2022/23 target met?	Outperformance or underperformance payment ⁽¹⁾ 2022/23 £000	Forecast performance 2020-25 £000	
Common PCs – Water (Financial)						
3A.1	Water quality compliance (CRI) ⁽²⁾	number	0.01	Yes	0.000	-0.028
3A.2	Water supply interruptions ⁽³⁾	hh:mm:ss	00:03:51	Yes	0.231	0.612
3A.3	Leakage ⁽⁴⁾	%	8.7	Yes	0.208	0.000
3A.4	Per capita consumption ⁽⁵⁾	%	-4.2	No	0.000	0.000
3A.5	Mains repairs ⁽⁶⁾	number	101.5	No	-0.854	-0.854
3A.6	Unplanned outage ⁽⁷⁾	%	0.93	Yes	0.000	0.000
Bespoke PCs – Water and Retail (Financial)						
3A.7	Customer concerns about their water (taste, odour and discolouration contacts) ⁽⁸⁾	nr	0.64	No	-0.111	-0.345
3A.8	Supporting customers in financial hardship ⁽⁹⁾	nr	19,476	Yes	0.000	0.000
3A.9	Void properties ⁽¹⁰⁾	%	2.43	Yes	0.017	-0.277
3A.10	First contact resolution ⁽¹¹⁾	%	85.1	Yes	0.000	-0.005
3A.11	Greenhouse gas emissions ⁽¹²⁾	nr	41	Yes	0.000	0.000
3A.12	River-based improvement – delivery of WINEP ⁽¹³⁾	nr	6	No	-0.004	-0.009
3A.13	Water softening ⁽¹⁴⁾	nr	5.6	No	-0.158	-0.667
3A.14	Risk of supply failures ⁽¹⁵⁾	%	81	Yes	0.000	-0.115

Notes:

- (1) This column shows the reward/(penalty) for the performance commitment based on Ofwat’s Final Determination for SES Water. All are in 2017/18 price to be consistent with Ofwat’s Final Determination issued in December 2019.
- (2) In 2022, we had only three exceedances in water quality performance (lead and coliforms), resulting in a projected industry leading CRI index of 0.01. Our performance in 2021 was also excellent, with just one exceedance (Nickel) and a confirmed industry leading CRI index of 0.00. We strive for consistent performance going forward.
- (3) Our performance this year continues to be within our target, despite the challenges posed by the drought and December freeze/thaw, and we will again receive a financial reward from Ofwat.
- (4) We are continuing to conduct work – overseen by Ofwat – to ensure our water balance reporting is compliant with all regulatory guidelines. We have agreed with Ofwat that we will not seek to apply for any outperformance payments associated with our leakage performance until this work is concluded.
- (5) Whilst slightly lower than last year, even in a drought year, our per capita consumption remains too high and we again fall short of our target. Recent performance in a year of extreme weather conditions does provide some encouraging signs, demonstrating the benefits of our ongoing metering, water efficiency and customer engagement programmes.
- (6) The level of bursts seen over the year increased significantly – initially in the summer during the drought, and later in December as a result of the freeze/thaw – and we will receive a significant financial penalty from Ofwat. Burst levels have since returned to normal.
- (7) Our ongoing focus on operating, maintaining and investing in our water treatment works continues to secure the delivery of our unplanned outage target.
- (8) Our performance, although below target, still compares favourably with the industry average. Factors such as hot weather and operational issues contributed to the target exceedance. However, our performance remains significantly better than the industry average, with a performance of 0.64 contacts per 1,000 population compared with an average of 11.0 per 10,000 population in 2021.
- (9) We again exceeded our target for the number of customers benefitting from our Water Support Scheme, although the overall number dropped as customers who are no longer eligible were removed from the tariff.
- (10) We achieved this target and will receive a financial incentive from Ofwat for this commitment for the first time.
- (11) We increased our performance by 4 percentage points from last year and achieved our target of 85% of contacts being resolved first time.
- (12) The progression of our net zero carbon plan has seen further reductions in greenhouse gases this year through ongoing energy efficiency and switching of fleet to pure electric vehicles and heating to non-fossil fuel alternatives.

- (13) This performance commitment is based on the delivery of Water Industry National Environment Programme (WINEP) investigations/schemes as agreed with Ofwat. Six investigations have been delivered on time, but one investigation was delayed with the agreement of the Environment Agency for extended monitoring. The outstanding investigation was completed by the end of May 2023, meeting the agreed 2023/24 performance commitment. The remaining schemes are on track for completion by the end of 2024.
- (14) Performance was impacted by maintenance issues (64%) and operational decisions during high demand (36%). The performance commitment penalty was incurred at Elmer (41%), Kenley (32%), Cheam (25%), Woodmansterne (2%), and Godstone (<1%). Despite challenges, performance remains comparable to 2020 and 2021. Improved and stable performance is expected in the future.
- (15) As a result of the culmination of five resilience projects delivering over the last year, more than 180,000 further customers now benefit from being connected to two treatment works.

3C – Customer measure of experience (C-MeX) table

for the 12 months ended 31 March 2023

		Units	Value
3C.1	Annual customer satisfaction score for the customer experience survey	Number	72.80
3C.2	Annual customer satisfaction score for the customer experience survey	Number	79.27
3C.3	Annual C-MeX score	Number	76.03
3C.4	Annual net promoter score	Number	16.00
3C.5	Total household complaints	Number	1,287
3C.6	Total connected household properties	Number	287,934
3C.7	Total household complaints per 10,000 connections	Number	44.698
3C.8	Confirmation of communication channels offered ⁽¹⁾	TRUE or FALSE	TRUE

- (1) SES Water has five channels available for customers to make contact. These are listed below:
- Phone
 - Email
 - Letter
 - Via the SES Water corporate website (webforms)
 - Via social media channels (Facebook/Twitter)

3D – Developer services measure of experience (D-MeX) table

for the 12 months ended 31 March 2023

		Units	Value
3D.1	Qualitative component annual results	Number	70.20
3D.2	Quantitative component annual results	Number	99.62
3D.3	D-MeX score	Number	84.91

3E – Outcome performance – Non-financial performance commitments

for the 12 months ended 31 March 2023

	Units	2022/23 performance level - actual	2022/23 target met?	
3E.1	Risk of severe restrictions in a drought	%	0.0	Yes
3E.2	Priority services for customers in vulnerable circumstances – PSR reach	%	6.8	Yes
3E.3	Priority services for customers in vulnerable circumstances – Attempted contacts	%	90.2	Yes
3E.4	Priority services for customers in vulnerable circumstances – Actual contacts	%	59.8	Yes
Bespoke PCs				
3E.6	Vulnerable support scheme awareness	%	38.0	No
3E.7	Vulnerable support scheme helpfulness	%	80.8	Yes
3E.8	Pollution incidents	nr	0	Yes
3E.9	Abstraction incentive mechanism	nr	-295	Yes
3E.10	Land based improvement – biodiversity	nr	2	Yes
3E.11	Perception of value for money	%	5	Yes
3E.12	WINEP delivery	text	Met	Yes

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3H – Summary information on outcome delivery incentive payments

for the 12 months ended 31 March 2023

	Initial calculation of performance payments (excluding C-MeX and D-MeX) £m (2017/18 prices)	
Initial calculation of in period revenue adjustment by price control		
3H.1	Water resources	0.00
3H.2	Water network+	-0.91
3H.5	Residential retail	0.02
Initial calculation of end of period revenue adjustment by price control		
3H.8	Water resources	0.00
3H.9	Water network+	-1.05
3H.12	Residential retail	0.00
Initial calculation of end of period RCV adjustment by price control		
3H.15	Water resources	0.00
3H.16	Water network+	0.00
3H.19	Residential retail	0.00

Note: If all the rewards/penalties are applied in-period, we would incur a total penalty of £0.89m, being a £0.91m penalty for water network+ offset by a £0.02m reward for residential retail as noted above.

4A – Water bulk supply information

for the 12 months ended 31 March 2023

	Volume MI	Operating costs £'000	Revenue £'000
4A.1 Leep Networks (Water) Ltd	43.04	21.39	38.73
4A.2 Southern Water Services Ltd	370.88	222.56	403.04
4A.26 Total bulk supply exports	413.92	243.95	441.77

Bulk supply water is exported to Leep Networks (Water) Ltd and Southern Water Services Ltd. We do not import bulk supply water.

4C – Impact of price control performance to date on RCV

for the 12 months ended 31 March 2023

	Water resources £'000	Water network+ £'000
Totex (net of business rates, abstraction licence fees and grants and contributions)		
4C.1 Final Determination allowed totex (net of business rates, abstraction licence fees and grants and contributions)	4,664	45,099
4C.2 Actual totex (net of business rates, abstraction licence fees and grants and contributions)	5,313	53,727
4C.3 Transition expenditure	-	-
4C.4 Disallowable costs	-	-
4C.5 Total actual totex (net of business rates, abstraction licence fees and grants and contributions)	5,313	53,727
4C.6 Variance	649	8,628
4C.7 Variance due to timing of expenditure	-	-
4C.8 Variance due to efficiency	649	8,628
4C.9 Customer cost sharing rate – outperformance	55%	55%
4C.10 Customer cost sharing rate – underperformance	45%	45%
4C.11 Customer share of totex overspend	290	3,851
4C.12 Customer share of totex underspend	-	-
4C.13 Company share of totex overspend	359	4,777
4C.14 Company share of totex underspend	-	-
Totex – business rates and abstraction licence fees		
4C.15 Final Determination allowed totex – business rates and abstraction licence fees	1,217	3,339
4C.16 Actual totex – business rates and abstraction licence fees	1,053	3,406
4C.17 Variance – business rates and abstraction licence fees	(164)	67
4C.18 Customer cost sharing rate – business rates	75%	75%
4C.19 Customer cost sharing rate – abstraction licence fees	75%	75%
4C.20 Customer share of totex over/underspend – business rates and abstraction licence fees	(123)	50
4C.21 Company share of totex over/underspend – business rates and abstraction licence fees	(41)	17
Totex not subject to cost sharing		
4C.22 Final Determination allowed totex – not subject to cost sharing	-	2,712
4C.23 Actual totex – not subject to cost sharing	-	840
4C.24 Variance – 100% Company allocation	-	(1,872)
4C.25 Total customer share of totex over/(under)spend	167	3,901
RCV		
4C.26 Total customer share of totex over/underspend	166	3,901
4C.27 PAYG rate	82.33%	47.72%
4C.28 RCV element of cumulative totex over/underspend	29	2,039

4C – Impact of price control performance to date on RCV continued

for the price control period to date

	Water resources £'000	Water network+ £'000
Totex (net of business rates, abstraction licence fees and grants and contributions)		
4C.1 Final Determination allowed totex (net of business rates, abstraction licence fees and grants and contributions)	13,609	135,870
4C.2 Actual totex (net of business rates, abstraction licence fees and grants and contributions)	15,082	149,576
4C.3 Transition expenditure	-	-
4C.4 Disallowable costs	-	-
4C.5 Total actual totex (net of business rates, abstraction licence fees and grants and contributions)	15,082	149,576
4C.6 Variance	1,473	13,706
4C.7 Variance due to timing of expenditure	-	-
4C.8 Variance due to efficiency	1,473	13,706
4C.9 Customer cost sharing rate – outperformance	554	554
4C.10 Customer cost sharing rate – underperformance	446	446
4C.11 Customer share of totex overspend	657	6,117
4C.12 Customer share of totex underspend	-	-
4C.13 Company share of totex overspend	816	7,589
4C.14 Company share of totex underspend	-	-
Totex – business rates and abstraction licence fees		
4C.15 Final Determination allowed totex – business rates and abstraction licence fees	3,416	9,369
4C.16 Actual totex – business rates and abstraction licence fees	3,487	8,420
4C.17 Variance – business rates and abstraction licence fees	71	(949)
4C.18 Customer cost sharing rate – business rates	75.00%	75.00%
4C.19 Customer cost sharing rate – abstraction licence fees	75.00%	75.00%
4C.20 Customer share of totex over/underspend – business rates and abstraction licence fees	53	(712)
4C.21 Company share of totex over/underspend – business rates and abstraction licence fees	18	(237)
Totex not subject to cost sharing		
4C.22 Final Determination allowed totex – not subject to cost sharing	-	7,455
4C.23 Actual totex – not subject to cost sharing	-	1,517
4C.24 Variance – 100% Company allocation	-	(5,938)
4C.25 Total customer share of totex over/(under)spend	710	5,405
RCV		
4C.26 Total customer share of totex over/(under)spend	711	5,405
4C.27 PAYG rate	813	709
4C.28 RCV element of cumulative totex over/(under)spend	123	1,572
4C.29 Adjustment for ODI outperformance payment or underperformance payment	-	-
4C.30 Green recovery	-	-
4C.31 RCV determined at FD at 31 March	16,369	317,658
4C.32 Projected 'shadow' RCV	16,502	319,230

The 'shadow' RCV above has been calculated in accordance with Ofwat guidance and assumes the lower level of wholesale totex compared with the PR19 Final Determination.

Variance in timing of expenditure for previous years has been excluded in this cumulative basis to match the actual costs to date.

4D – Totex analysis water resources and water network+

for the 12 months ended 31 March 2023

		Water network+				Total £'000
		Water resources £'000	Raw water transport £'000	Water treatment £'000	Treated water distribution £'000	
Operating expenditure						
4D.1	Base operating expenditure	5,627	387	12,039	21,682	39,735
4D.2	Enhancement operating expenditure	-	-	-	-	-
4D.3	Developer services operating expenditure	-	-	-	1,913	1,913
4D.4	Total operating expenditure excluding third party services	5,627	387	12,039	23,595	41,648
4D.5	Third party services	-	-	-	1	1
4D.6	Total operating expenditure	5,627	387	12,039	23,596	41,649
Grants and contributions						
4D.7	Grants and contributions - operating expenditure	-	-	-	2,305	2,305
Capital expenditure						
4D.8	Base capital expenditure	739	12	7,528	10,110	18,389
4D.9	Enhancement capital expenditure	-	-	-	6,334	6,334
4D.10	Developer services capital expenditure	-	-	-	272	272
4D.11	Total gross capital expenditure (excluding third party)	739	12	7,528	16,716	24,995
4D.12	Third party services	-	-	-	-	-
4D.13	Total gross capital expenditure	739	12	7,528	16,716	24,995
Grants and contributions						
4D.14	Grants and contributions - capital expenditure	-	-	-	-	-
4D.15	Net totex	6,366	399	19,567	38,007	64,339
Cash expenditure						
4D.16	Pension deficit recovery payments	-	-	-	-	-
4D.17	Other cash items	-	-	-	-	-
4D.18	Totex including cash items	6,366	399	19,567	38,007	64,339

4H – Financial metrics

for the 12 months ended 31 March 2023

	Units	Current year	AMP to date
Financial indicators			
4H.1 Net debt	£m	257.333	
4H.2 Regulatory equity	£m	76.693	
4H.3 Regulatory gearing	%	77.04%	
4H.4 Post-tax return on regulatory equity	%	(32.96%)	
4H.5 RoRE (return on regulatory equity)	%	(4.65%)	(0.60%)
4H.6 Dividend yield	%	4.04%	
4H.7 Retail profit margin – Household	%	(6.00%)	
4H.10 Credit rating – Moody's	Text	Baa2 (stable)	
4H.12 Return on RCV	%	1.14%	
4H.13 Dividend cover	dec	(6.541)	
4H.14 Funds from operations (FFO)	£m	12.451	
4H.15 Interest cover (cash)	dec	2.465	
4H.16 Adjusted interest cover (cash)	dec	(0.396)	
4H.17 FFO/Net debt	dec	0.048	
4H.18 Effective tax rate	%	0.68%	
4H.19 Retained cash flow (RCF)	£m	9.351	
4H.20 RCF/Net debt	dec	0.036	
Borrowings			
4H.21 Proportion of borrowings which are fixed rate	%	7.76%	
4H.22 Proportion of borrowings which are floating rate	%	25.36%	
4H.23 Proportion of borrowings which are index linked	%	66.88%	
4H.24 Proportion of borrowings due within 1 year or less	%	7.00%	
4H.25 Proportion of borrowings due in more than 1 year but no more than 2 years	%	26.00%	
4H.26 Proportion of borrowings due in more than 2 years but no more than 5 years	%	0.00%	
4H.27 Proportion of borrowings due in more than 5 years but no more than 20 years	%	67.00%	
4H.28 Proportion of borrowings due in more than 20 years	%	0.00%	

Due to the timing of appointed dividends declared and paid, the appointed dividend paid in the year ended 31 March 2023 comprised the final appointed dividend from the year ended 31 March 2022 (£1.64m paid in May 2022) and the interim appointed dividend payable in respect of the year ended 31 March 2023 (£1.46m paid in December 2022). The total appointed dividends paid in the year ended 31 March 2023 of c.£3.1m (2022: £2.9m) represents, on this mixed year basis, a dividend yield of 4.04%.

Post-tax returns on regulatory equity have, in contrast to the RoRE estimate, been affected by both accounting policies and the impact of high inflation (on the indexation of the Company's principal long-term debt instrument). The accounting treatment of infrastructure renewals expenditure under FRS 101 continues to have a substantial effect upon accounting-based measures. All planned infrastructure asset renewal expenditure has been capitalised (in accordance with FRS 101) and depreciated over an estimated useful economic life of 100 years. Any residual book value of pipes being replaced has been written off on commissioning of new assets.

4J – Base expenditure analysis

for the 12 months ended 31 March 2023

		Water network+					Total £'000
		Water resources £'000	Raw water distribution £'000	Raw water storage £'000	Water treatment £'000	Treated water distribution £'000	
Operating expenditure							
4J.1	Power	1,758	434	-	1,231	3,000	6,423
4J.2	Income treated as negative expenditure	-	-	-	-	(131)	131
4J.3	Bulk supply	-	-	-	-	244	244
4J.4	Renewals expensed in year (infrastructure)	-	-	-	-	-	-
4J.5	Renewals expensed in year (non-infrastructure)	-	-	-	-	-	-
4J.6	Other operating expenditure	2,817	(47)	-	8,411	15,052	26,233
4J.7	Local authority and Cumulo rates	28	-	-	32	3,374	3,434
Service Charges							
4J.8	Canal & River Trust abstraction charges/discharge consents	-	-	-	-	-	-
4J.9	Environment Agency/ NRW abstraction charges/ discharge consents	1,025	-	-	-	-	1,025
4J.10	Other abstraction charges/ discharge consents	-	-	-	-	-	-
Other operating expenditure							
4J.11	Costs associated with Traffic Management Act	-	-	-	-	143	143
4J.12	Costs associated with lane rental schemes	-	-	-	-	-	-
4J.13	Statutory water softening	-	-	-	2,364	-	2,364
4J.14	Total base operating expenditure	5,628	387	-	12,038	21,682	39,735
Capital expenditure							
4J.15	Maintaining the long-term capability of the assets - infra	1	12	-	11	5,458	5,482
4J.16	Maintaining the long-term capability of the assets - non-infrastructure	737	0	-	7,518	4,652	12,907
4J.17	Total base capital expenditure	738	12	-	7,529	10,110	18,389
Traffic Management Act							Number
4J.18	Projects incurring costs associated with Traffic Management Act	-	-	-	-	414	414

4N – Developer Services Expenditure – water network+

for the 12 months ended 31 March 2023

	Water network+ Treated water distribution		Total £'000
	Capex £'000	Opex £'000	
4N.1 New connections	272	1,764	2,036
4N.2 Requisition mains	-	4	4
4N.3 Infrastructure network reinforcement	-	2	2
4N.4 s185 diversions	-	-	-
4N.5 Other price controlled activities	-	-	-
4N.6 Total developer services expenditure	272	1,770	2,042

4P – Expenditure on non-price control diversions

for the 12 months ended 31 March 2023

	Water resources £'000	Water network+ £'000	Total £'000
4P.9 Diversions – NRSWA	-	143	143
4P.10 Diversions – other non-price control	-	-	-
4P.11 Other developer services non-price control totex	-	-	-
4P.12 Developer services non-price control totex	-	143	143

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4Q – Developer services – New connections, properties and mains

	Units	Total £'000
Connections volume data		
4Q.1 New connections (residential – excluding NAVs)	nr	719
4Q.2 New connections (business – excluding NAVs)	nr	33
4Q.3 Total new connections served by incumbent	nr	752
4Q.4 New connections – SLPs	nr	11
Properties volume data		
4Q.5 New properties (residential – excluding NAVs)	nr	1,281
4Q.6 New properties (business – excluding NAVs)	nr	46
4Q.7 Total new properties served by incumbent	nr	1,327
4Q.8 New residential properties served by NAVs	nr	0
4Q.9 New business properties served by NAVs	nr	0
4Q.10 Total new properties served by NAVs	nr	0
4Q.11 Total new properties	nr	1,327
4Q.12 New properties – SLP connections	nr	182
New water mains data		
4Q.13 Length of new mains (km) – requisitions	nr	1
4Q.14 Length of new mains (km) – SLPs	nr	2

4R – Connected properties, customers and population

	Units	Unmeasured	Measured	Total	Voids
Customer numbers – average during the year					
4R.1 Residential water only customers	'000s	81.767	206.167	287.934	6.041
4R.2 Residential wastewater only customers	'000s			0.000	
4R.3 Residential water and wastewater customers	'000s			0.000	
4R.4 Total residential customers	'000s	81.767	206.167	287.934	6.041
4R.5 Business water only customers	'000s	2.025	11.794	13.819	1.306
4R.6 Business wastewater only customers	'000s			0.000	
4R.7 Business water & wastewater customers	'000s			0.000	
4R.8 Total business customers	'000s	2.025	11.794	13.819	1.306
4R.9 Total customers	'000s	83.792	217.961	301.753	7.347

	Units	Unmeasured	Measured	Total
Property numbers – average during the year				
4R.10 Residential properties billed	'000s	94.066	183.112	277.178
4R.11 Residential void properties	'000s			6.041
4R.12 Total connected residential properties	'000s			283.219
4R.13 Business properties billed	'000s			12.513
4R.14 Business void properties	'000s			1.306
4R.15 Total connected business properties	'000s			13.819
4R.16 Total connected properties	'000s			297.038

	Units	Unmeasured	Measured	Total
Property and meter numbers – at end of year (31 March)				
4R.17 Total new residential properties connected in year	'000s	0.000	0.000	0.000
4R.18 Total number of new business properties connections	'000s	0.000	0.010	0.010
4R.19 Residential properties billed at year end	'000s	94.066	183.112	277.178
4R.20 Residential properties unbilled at year end	'000s			4.715
4R.21 Residential void properties at year end	'000s	1.700	4.341	6.041
4R.22 Total connected residential properties at year end	'000s	95.766	187.453	287.934
4R.23 Business properties billed at year end	'000s	2.205	10.488	12.513
4R.24 Business properties unbilled at year end	'000s			0.000
4R.25 Business void properties at year end	'000s			1.306
4R.26 Total connected business properties at year end	'000s	2.417	11.402	13.819
4R.27 Total connected properties at year end	'000s	98.183	198.855	301.753

	Units	Water
Population data		
4R.28 Resident population	'000s	749.816

	Units	Resident population	Non-resident population	Total
Household population data				
4R.30 Household population	'000s	731.599	9.805	741.404
4R.31 Household measured population (water only)	'000s	485.059	6.501	491.560
4R.32 Household unmeasured population (water only)	'000s	246.540	3.304	249.844

4W – Defined Benefit Pension Scheme – Additional Information

for the 12 months ended 31 March 2023

Scheme details		Pension Scheme 1	Pension Scheme 2	Total	
4W.1	Scheme name	Text	Water Companies Pensions Scheme (WCPS)	Unfunded Benefits	-
4W.2	Scheme status	Text	Scheme Closed	Scheme closed	-
4W.3	Scheme assets	£m	78.461	-	78.461
4W.4	Scheme liabilities	£m	69.250	0.803	70.053
4W.5	Scheme surplus/(deficit) Total	£m	9.211	(0.803)	8.408
4W.6	Scheme surplus/(deficit) Appointed business	£m	9.211	(0.803)	8.408
4W.7	Pension deficit recovery payments	£m	-	-	-

5A – Water resources asset and volumes data

for the 12 months ended 31 March 2023

	Units	Total
Water resources		
5A.1 Water from impounding reservoirs	MI/d	0.00
5A.2 Water from pumped storage reservoirs	MI/d	28.18
5A.3 Water from river abstractions	MI/d	0.00
5A.4 Water from groundwater works, excluding managed aquifer recharge (MAR) water supply schemes	MI/d	143.15
5A.5 Water from artificial recharge (AR) water supply schemes	MI/d	0.00
5A.6 Water from aquifer storage and recovery (ASR) water supply schemes	MI/d	0.00
5A.7 Water from saline abstractions	MI/d	0.00
5A.8 Water from water reuse schemes	MI/d	0.00
5A.9 Number of impounding reservoirs	nr	0
5A.10 Number of pumped storage reservoirs	nr	1
5A.11 Number of river abstractions	nr	0
5A.12 Number of groundwater works, excluding MAR water supply schemes	nr	68
5A.13 Number of AR water supply schemes	nr	0
5A.14 Number of ASR water supply schemes	nr	0
5A.15 Number of saline abstraction schemes	nr	0
5A.16 Number of reuse schemes	nr	0
5A.17 Total number of sources	nr	69
5A.18 Total number of water reservoirs	nr	1
5A.19 Total volumetric capacity of water reservoirs	MI	10,018
5A.20 Total number of intake and source pumping stations	nr	40
5A.21 Total installed power capacity of intake and source pumping stations	kW	7,278
5A.22 Total length of raw water abstraction mains and other conveyors	km	71.23
5A.23 Average pumping head – raw water abstraction	m.hd	39.87
5A.24 Energy consumption – water resources (MWh)	MWh	14,369.491
5A.25 Total number of raw water abstraction imports	nr	0
5A.26 Water imported from third parties to raw water abstraction systems	MI/d	0.00
5A.27 Total number of raw water abstraction exports	nr	0
5A.28 Water exported to third parties from raw water abstraction systems	MI/d	0.00
5A.29 Water resources capacity (measured using water resources yield)		207.92
5A.30 Total number of completed investigations (WINEP/NEP), cumulative for AMP	MI/d	6

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5B – Water resources operating cost analysis

for the 12 months ended 31 March 2023

	Units	Impounding reservoir	Pumped storage	River abstractions	Groundwater, excluding MAR water supply schemes	Total
5B.1 Power	£k	-	-	227	1,530	1,758
5B.2 Income treated as negative expenditure	£k	-	-	-	-	-
5B.3 Abstraction charges/discharge consents	£k	-	-	370	654	1,025
5B.4 Bulk supply	£k	-	-	-	-	-
Other operating expenditure						
5B.5 Renewals expensed in year (infrastructure)	£k	-	-	-	-	-
5B.6 Renewals expensed in year (non-infrastructure)	£k	-	-	-	-	-
5B.7 Other operating expenditure excluding renewals	£k	359	-	359	2,098	2,817
5B.8 Local authority and Cumulo rates	£k	-	-	24	4	28
5B.9 Total operating expenditure (excluding third party)	£k	359	-	981	4,287	5,627

Note: SES Water does not have any artificial recharge or aquifer storage and recover schemes. Therefore, we only report the sources applicable to us.

6A – Raw water transport, raw water storage and water treatment data

for the 12 months ended 31 March 2023

	Units	Input		
Raw water transport and storage				
6A.1	nr	0		
6A.2	MI	0		
6A.3	nr	1		
6A.4	kW	396		
6A.5	km	9.35		
6A.6	m.hd	18.71		
6A.7	MWh	3852.211		
6A.8	nr	0		
6A.9	MI/d	0.00		
6A.10	nr	0		
6A.11	MI/d	0.00		
6A.12	km	3.19		
Water treatment – treatment type analysis				
			Surface water	Groundwater
			Water treated MI/d	Number of works nr
			Water treated MI/d	Number of works nr
6A.13		0.00	0	0
6A.14		0.00	0	0
6A.15		0.00	0	0
6A.16		0.00	0	4
6A.17		0.00	107.36	3
6A.18		28.18	1	0
6A.19		0.00	0	0
Water treatment – works size				
		% of total DI DI	Number of works nr	
6A.20		0.0	0	
6A.21		0.0	0	
6A.22		0.0	1	
6A.23		2.1	1	
6A.24		2.6	1	
6A.25		45.0	3	
6A.26		49.7	2	
6A.27		0.0	0	
Water treatment – other information				
	Units	Input		
6A.28	MI/d	242.90		
6A.29	MI/d	0.00		
6A.30	MI/d	0.00		
6A.31	MI/d	0.00		
6A.32	nr	0		
6A.33	'000s	749.816		
6A.34	m.hd	19.93		
6A.35	MWh	15,884.837		
6A.36	nr	0		
6A.37	MI/d	0.00		
6A.38	nr	0		
6A.39	MI/d	0.00		

6B – Treated water distribution – assets and operations

for the 12 months ended 31 March 2023

		Units	Input
Assets and operations			
6B.1	Total installed power capacity of potable water pumping stations	kW	12,957
6B.2	Total volumetric capacity of service reservoirs	MI	360.6
6B.3	Total volumetric capacity of water towers	MI	5.1
6B.4	Water delivered (non-potable)	MI/d	0.00
6B.5	Water delivered (potable)	MI/d	139.99
6B.6	Water delivered (billed measured residential properties)	MI/d	70.80
6B.7	Water delivered (billed measured businesses)	MI/d	21.96
6B.8	Proportion of distribution input derived from impounding reservoirs	Propn 0 to 1	0.000
6B.9	Proportion of distribution input derived from pumped storage reservoirs	Propn 0 to 1	0.164
6B.10	Proportion of distribution input derived from river abstractions	Propn 0 to 1	0.000
6B.11	Proportion of distribution input derived from groundwater works, excluding MAR water supply schemes	Propn 0 to 1	0.836
6B.12	Proportion of distribution input derived from AR water supply schemes	Propn 0 to 1	0.000
6B.13	Proportion of distribution input derived from ASR water supply schemes	Propn 0 to 1	0.000
6B.14	Proportion of distribution input derived from saline abstractions	Propn 0 to 1	0.000
6B.15	Proportion of distribution input derived from water reuse schemes	Propn 0 to 1	0.000
6B.16	Total number of potable water pumping stations that pump into and within the treated water distribution system	nr	33
6B.17	Number of potable water pumping stations delivering treated groundwater into the treated water distribution system	nr	7
6B.18	Number of potable water pumping stations delivering surface water into the treated water distribution system	nr	1
6B.19	Number of potable water pumping stations that re-pump water already within the treated water distribution system	nr	24
6B.20	Number of potable water pumping stations that pump water imported from a third party supply into the treated water distribution system	nr	1
6B.21	Total number of service reservoirs	nr	29
6B.22	Number of water towers	nr	5
6B.23	Energy consumption – treated water distribution (MWh)	MWh	25,377.307
6B.24	Average pumping head – treated water distribution	m.hd	88.93
6B.25	Total number of treated water distribution imports	nr	1
6B.26	Water imported from third parties to treated water distribution systems	MI/d	0.00
6B.27	Total number of treated water distribution exports	nr	3.00
6B.28	Water exported to third parties from treated water distribution systems	MI/d	1.14
6B.29	Peak 7 day rolling average distribution input	MI/d	221.39
6B.30	Peak 7 day rolling average distribution input/annual average distribution input	%	1.30

6B – Treated water distribution – assets and operations continued

for the 12 months ended 31 March 2023

	Units	Input
Water balance – Company level		
6B.31 Measured household consumption (excluding supply pipe leakage)	MI/d	67.50
6B.32 Unmeasured household consumption (excluding supply pipe leakage)	MI/d	44.28
6B.33 Measured non-household consumption (excluding supply pipe leakage)	MI/d	22.24
6B.34 Unmeasured non-household consumption (excluding supply pipe leakage)	MI/d	1.71
6B.35 Total annual leakage	MI/d	22.82
6B.36 Distribution system operational use	MI/d	2.66
6B.37 Water taken unbilled	MI/d	3.40
6B.38 Distribution input	MI/d	164.60
6B.39 Distribution input (pre-MLE)	MI/d	170.19
Water balance – region 1		
6B.40 Measured household consumption (excluding supply pipe leakage)	MI/d	
6B.41 Unmeasured household consumption (excluding supply pipe leakage)	MI/d	
6B.42 Measured non-household consumption (excluding supply pipe leakage)	MI/d	
6B.43 Unmeasured non-household consumption (excluding supply pipe leakage)	MI/d	
6B.44 Total annual leakage	MI/d	
6B.45 Distribution system operational use	MI/d	
6B.46 Water taken unbilled	MI/d	
6B.47 Distribution input	MI/d	
6B.48 Distribution input (pre-MLE)	MI/d	
Water balance – region 2		
6B.49 Measured household consumption (excluding supply pipe leakage)	MI/d	
6B.50 Unmeasured household consumption (excluding supply pipe leakage)	MI/d	
6B.51 Measured non-household consumption (excluding supply pipe leakage)	MI/d	
6B.52 Unmeasured non-household consumption (excluding supply pipe leakage)	MI/d	
6B.53 Total annual leakage	MI/d	
6B.54 Distribution system operational use	MI/d	
6B.55 Water taken unbilled	MI/d	
6B.56 Distribution input	MI/d	
6B.57 Distribution input (pre-MLE)	MI/d	

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We are continuing to conduct work – overseen by Ofwat – to ensure our water balance reporting is compliant with all regulatory guidelines. We have agreed with Ofwat that we will not seek to apply for any outperformance payments associated with our leakage performance until this work is concluded.

for the 12 months ended 31 March 2023

	Units	Input
Components of total leakage (post-MLE) – Company level		
6B.58 Leakage upstream of DMA	MI/d	3.27
6B.59 Distribution main losses	MI/d	12.03
6B.60 Customer supply pipe losses – measured households excluding void properties	MI/d	3.17
6B.61 Customer supply pipe losses – unmeasured households excluding void properties	MI/d	3.76
6B.62 Customer supply pipe losses – measured non-households excluding void properties	MI/d	0.24
6B.63 Customer supply pipe losses – unmeasured non-households excluding void properties	MI/d	0.08
6B.64 Customer supply pipe losses – void measured households	MI/d	0.15
6B.65 Customer supply pipe losses – void unmeasured households	MI/d	0.09
6B.66 Customer supply pipe losses – void measured non-households	MI/d	0.02
6B.67 Customer supply pipe losses – void unmeasured non-households	MI/d	0.01

Components of total leakage (post-MLE) – region 1		
6B.68 Leakage upstream of DMA	MI/d	
6B.69 Distribution main losses	MI/d	
6B.70 Customer supply pipe losses – measured households excluding void properties	MI/d	
6B.71 Customer supply pipe losses – unmeasured households excluding void properties	MI/d	
6B.72 Customer supply pipe losses – measured non-households excluding void properties	MI/d	
6B.73 Customer supply pipe losses – unmeasured non-households excluding void properties	MI/d	
6B.74 Customer supply pipe losses – void measured households	MI/d	
6B.75 Customer supply pipe losses – void unmeasured households	MI/d	
6B.76 Customer supply pipe losses – void measured non-households	MI/d	
6B.77 Customer supply pipe losses – void unmeasured non-households	MI/d	

Components of total leakage (post-MLE) – region 2		
6B.78 Leakage upstream of DMA	MI/d	
6B.79 Distribution main losses	MI/d	
6B.80 Customer supply pipe losses – measured households excluding void properties	MI/d	
6B.81 Customer supply pipe losses – unmeasured households excluding void properties	MI/d	
6B.82 Customer supply pipe losses – measured non-households excluding void properties	MI/d	
6B.83 Customer supply pipe losses – unmeasured non-households excluding void properties	MI/d	
6B.84 Customer supply pipe losses – void measured households	MI/d	
6B.85 Customer supply pipe losses – void unmeasured households	MI/d	
6B.86 Customer supply pipe losses – void measured non-households	MI/d	
6B.87 Customer supply pipe losses – void unmeasured non-households	MI/d	

6C – Water network+ – Mains, communication pipes and other data

for the 12 months ended 31 March 2023

	Units	Input
Treated water distribution – mains analysis		
6C.1	km	3,527.9
6C.2	km	0.0
6C.3	km	16.3
6C.4	km	12.7
6C.5	km	3,227.2
6C.6	km	176.6
6C.7	km	72.0
6C.8	km	52.1
Treated water distribution – mains age profile		
6C.9	km	20.3
6C.10	km	297.9
6C.11	km	243.8
6C.12	km	958.8
6C.13	km	259.4
6C.14	km	372.2
6C.15	km	634.8
6C.16	km	710.9
6C.17	km	29.8
Communication pipes		
6C.18	nr	100,410
6C.19	nr	4,812
6C.20	nr	117,577
6C.21	nr	78
Other		
6C.22	km ²	835
6C.23	nr	0.01
6C.24	nr	105
6C.25	nr	124
6C.26	nr	0

6D – Demand management – Metering and leakage activities

for the 12 months ended 31 March 2023

	Units	Basic meter	AMR meter	AMI meter	
Metering activities – Totex expenditure					
6D.1	New optant meter installation for existing customers	£m	0.228	0.057	0.000
6D.2	New selective meter installation for existing customers	£m	2.815	0.704	0.000
6D.3	New business meter installation for existing customers	£m	0.000	0.000	0.000
6D.4	Residential meters renewed	£m	0.000	0.000	0.000
6D.5	Business meters renewed	£m	0.000	0.000	0.000
Metering activities – Explanatory variables					
6D.6	New optant meters installed for existing customers	'000s	1.329	0.363	0.000
6D.7	New selective meters installed for existing customers	'000s	7.016	0.584	0.000
6D.8	New business meters installed for existing customers	'000s	0.013	0.010	0.000
6D.9	Residential meters renewed	'000s	3.480	0.554	0.000
6D.10	Business meters renewed	'000s	0.149	0.032	0.000
6D.11	Replacement of basic meters with smart meters for residential customers	'000s		0.000	0.000
6D.12	Replacement of AMR meter with AMI meters for residential customers	'000s			0.000
6D.13	Replacement of basic meters with smart meters for business customers	'000s		0.000	0.000
6D.14	Replacement of AMR meter with AMI meters for business customers	'000s			0.000
6D.15	New residential meters installed for existing customers – supply-demand balance benefit	MI/d	0.71	0.08	0.00
6D.16	New business meters installed for existing customers – supply-demand balance benefit	MI/d			
6D.17	Replacement of basic meter with smart meters for residential customers – supply-demand balance benefit	MI/d		0.00	0.00
6D.18	Replacement of AMR meter with AMI meter for residential customers – supply-demand balance benefit	MI/d			0.00
6D.19	Replacement of basic meter with smart meters for business customers – supply-demand balance benefit	MI/d		0.00	0.00
6D.20	Replacement of AMR meter with AMI meter for business customers – supply-demand balance benefit	MI/d			0.00
6D.21	Residential properties – meter penetration	%			
Leakage activities					
		Units	Maintaining leakage	Reducing leakage	Total
6D.22	Total leakage activity	£m	4.316	4.344	8.660
6D.23	Leakage improvements delivering benefits in 2020-25	MI/d			1.28
Per capita consumption (excluding supply pipe leakage)					
6D.18	Per capita consumption (measured)	l/h/d	137.32		
6D.19	Per capita consumption (unmeasured)	l/h/d	177.23		

9A – Demand management – Innovation competition

for the 12 months ended 31 March 2023

	Units	Current year
Allowed		
9A.1 Allocated innovation competition fund price control revenue	£k	236.13
Revenue collected for the purposes of the innovation competition		
9A.2 Innovation fund income from customers	£k	218.97
9A.3 Income from customers to fund innovation projects the Company is leading on	£k	-
9A.4 Income from customers as part of the inflation top-up mechanism		-
9A.5 Income from other water companies to fund innovation projects the Company is leading on	£k	-
9A.6 Income from customers that is transferred to other companies as part of the innovation fund	£k	292.81
9A.7 Non-price control revenue (e.g. royalties)	£k	-

Amounts received from customers in relation to innovation competitions is held on the balance sheet and paid to winners as dictated by Ofwat and MOSL documentation.

SES has paid out £292.81k in the year regarding innovation competitions. The £292.81k is in relation to the innovation water challenge settlement agreement and catalyst award.

Tables in section 10 are only applicable to companies participating in the green recovery, which the Company did not apply for due to our proposed projects not matching the criteria for application, so have therefore been omitted.

We can confirm that none of the innovation funds were being used for business-as-usual activities, these are ring fenced funds that are used for the initial purpose.

11A – Greenhouse gas emissions

for the 12 months ended 31 March 2023

	Units	Total
Scope one emissions		
11A.1 Burning of fossil fuels (location-based)	tCO ₂ e	441.390
11A.2 Burning of fossil fuels (market-based)	tCO ₂ e	441.390
11A.3 Process and fugitive emissions	tCO ₂ e	7.520
11A.4 Vehicle transport	tCO ₂ e	430.660
11A.5 Emissions from land	tCO ₂ e	0.000
11A.6 Total scope one emissions (location-based)	tCO ₂ e	879.570
11A.7 Total scope one emissions (market-based)	tCO ₂ e	879.570
11A.8 Scope one emissions; GHG type CO ₂	tCO ₂ e	862.180
11A.9 Scope one emissions; GHG type CH ₄	tCO ₂ e	0.590
11A.10 Scope one emissions; GHG type N ₂ O	tCO ₂ e	9.280
11A.11 Scope one emissions; GHG other types	tCO ₂ e	7.520
Scope two emissions		
11A.12 Purchased electricity (location-based)	tCO ₂ e	10,506.800
11A.13 Purchased electricity (market-based)	tCO ₂ e	19,079.900
11A.14 Purchased heat	tCO ₂ e	0.000
11A.15 Electric vehicles	tCO ₂ e	9.120
11A.16 Removal of electricity to charge electric vehicles at site	tCO ₂ e	-9.120
11A.17 Total scope two emissions (location-based)	tCO ₂ e	10,506.800
11A.18 Total scope two emissions (market-based)	tCO ₂ e	19,079.900
11A.19 Scope two emissions; GHG type CO ₂	tCO ₂ e	10,397.910
11A.20 Scope two emissions; GHG type CH ₄	tCO ₂ e	43.500
11A.21 Scope two emissions; GHG type N ₂ O	tCO ₂ e	74.500
11A.22 Scope two emissions; GHG other types	tCO ₂ e	0.000
Scope three emissions		
11A.23 Business travel	tCO ₂ e	22.160
11A.24 Outsourced activities	tCO ₂ e	426.290
11A.25 Purchased electricity; extraction, production, transmission and distribution (location-based)	tCO ₂ e	961.140
11A.26 Purchased electricity; extraction, production, transmission and distribution (market-based)	tCO ₂ e	961.140
11A.27 Purchased heat; extraction, production, transmission and distribution	tCO ₂ e	0.000
11A.28 Purchased fuels; extraction, production, transmission and distribution	tCO ₂ e	100.503
11A.29 Chemicals	tCO ₂ e	3,974.340
11A.30 Disposal of waste	tCO ₂ e	0.000
11A.31 Total scope three emissions (location-based)	tCO ₂ e	5,484.433
11A.32 Total scope three emissions (market-based)	tCO ₂ e	5,484.433
11A.33 Scope three emissions; GHG type CO ₂	tCO ₂ e	1,392.930
11A.34 Scope three emissions; GHG type CH ₄	tCO ₂ e	3.870
11A.35 Scope three emissions; GHG type N ₂ O	tCO ₂ e	12.790
11A.36 Scope three emissions; GHG other types	tCO ₂ e	66.890

11A – Greenhouse gas emissions

continued

for the 12 months ended 31 March 2023

	Units	Total
Gross operational emissions (scope one, two and three)		
11A.37 Gross operational emissions (location-based)	tCO ₂ e	16,870.803
11A.38 Gross operational emissions (market-based)	tCO ₂ e	25,443.903
Emissions reductions		
11A.39 Exported renewables	tCO ₂ e	N/A
11A.40 Exported biomethane	tCO ₂ e	N/A
11A.41 Insets	tCO ₂ e	N/A
11A.42 Other emissions reductions	tCO ₂ e	N/A
11A.43 Total emissions reductions	tCO ₂ e	N/A
Net annual emissions		
11A.44 Net annual emissions – location-based	tCO ₂ e	16,870.803
11A.45 Net annual emissions – market-based	tCO ₂ e	25,443.903
GHG intensity ratios		
11A.46 Emissions per MI of treated water	kgCO ₂ e/MI	271.510
11A.47 Emissions per MI of sewage treated	kgCO ₂ e/MI	N/A
Other		
11A.48 Green tariff electricity	tCO ₂ e	-10,506.800
Capital projects		
11A.49 Capital projects (cradle-to-gate)	tCO ₂ e	8,478.000
11A.50 Capital projects (cradle-to-build)	tCO ₂ e	N/A
Purchased goods and services		
11A.51 Purchased goods and services	tCO ₂ e	7,145.000

Notes to the regulatory accounts

1 – Transactions with associated companies

Services provided by the Company and recharged to associated companies

Associate company	Company principal activity	Service provided	Turnover of associate during 2022/23	Terms of supply	Value (£'000)
Allmat (East Surrey) Ltd	Builders merchant	Rent of land	2,531	Other market testing	71
Allmat (East Surrey) Ltd	Builders merchant	Management services	2,531	Actual costs	6
Advanced Minerals Ltd	Mineral processing	Sale of water treatment	2,211	Actual costs	15
Sutton and East Surrey Water Services Ltd	Non-household water retailer	Management services	60,882	Actual costs	95
Sutton and East Surrey Water Services Ltd	Non-household water retailer	Meter reading	60,882	Actual costs	29
Sutton and East Surrey Water Services Ltd	Non-household water retailer	Wholesale water	60,882	Market code	6,337
Total value of services provided by the Company					6,553

Services provided to the Company by associated companies

Associate company	Company principal activity	Service provided	Turnover of associate during 2022/23	Terms of supply	Value (£'000)
Allmat (East Surrey) Ltd	Builders merchant	Materials for maintenance	2,531	Actual cost	2
Advanced Minerals Ltd	Mineral processing	Waste disposal	2,221	Actual cost	20
Sutton and East Surrey Water Services Ltd	Plumbing repairs	Leak repairs	60,882	Competitive tendering	421
Sutton and East Surrey Water Services Ltd	Plumbing repairs	Water efficiency services	60,882	Competitive tendering	43
Total value of services provided to the Company					486

The annual turnover disclosed for the associated companies is derived from their respective unaudited management accounts.

To the best of the directors' knowledge, all appropriate transactions with associated companies have been disclosed in accordance with Condition F of the Company's Instrument of Appointment and Regulatory Accounting Guidelines 5.07.

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