



Cambridge Water



South Staffs Water



South Staffordshire Water PLC

Unaudited interim report and financial statements

For the six months ended 30 September 2023

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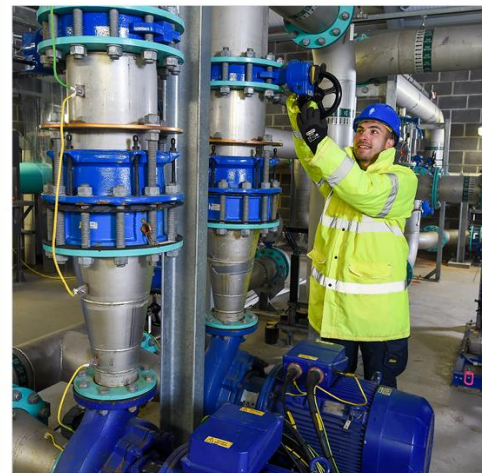
About South Staffordshire Water PLC

**We operate
Cambridge Water
and South Staffs
Water**



**We are part of the South
Staffordshire Plc group of
companies**

**We are a water only
company, and do not
take away and treat
waste water**



**We are regulated
by Ofwat, the
Environment Agency
and the Drinking
Water Inspectorate**



**We provide clean water to more
than 1.7 million people and
43,000 businesses every day**



**We have been a
successful, privately-
run business for
170 years. We have
never been in public
ownership**



Joint welcome from our Chair and Managing Director



The first half of the 2023/24 reporting year has been a particularly busy time for us – as well as the ‘day job’ of providing clean water supplies to customers, our people have also been focused on the finalisation and submission of our business plan for the five years from 2025 to 2030 as part of the regulator Ofwat’s PR24 price review process.

We and the Board have worked closely together to develop a plan that is ambitious and that will ensure we continue to deliver the high-quality and reliable services our customers expect and pay for, while also making sure we leave the natural environment in a better state for future generations.

Over the five years to 2030, and with Ofwat’s support, we’ll invest nearly £820 million in delivering responsive and resilient services for customers. This includes launching a ten-year universal metering programme across our Cambridge and South Staffs regions and delivering an innovative essential use discount to help customers who are struggling to pay their water bills, but who are above the income threshold for our Assure social tariff.

In a change of approach for this price review, Ofwat asked us to set our business plan within the context of a 25-year delivery strategy, highlighting the investments we think we’ll need over the long term. As the provider of an essential public service

since 1853, when we were founded in the interests of public welfare to provide clean water into Cambridge and the Black Country, long-term planning is part of our DNA. So looking to the future and dealing with uncertainty is an important feature of all our business planning and decision-making.

And uncertainty is definitely something we’ve experienced over the past few years. From the COVID-19 pandemic to the war in Ukraine and the cost-of-living crisis that followed the surge in energy prices last winter, we’ve been feeling the impacts of these macro events and have had to navigate our way through some of the outcomes.

This hasn’t always been easy. But we’ve been able to adapt and flex to changing circumstances to deliver continued financial resilience and operational success during the first half of the reporting year. For example, we’re currently on track to meet or exceed a number of the key promises we made to our customers at the start of the current five-year planning period in 2020.

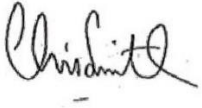
This includes our performance for supply interruptions, where we’re again targeting sector-leading performance by the end of the year, and also for the number of customers we’re reaching with our financial support packages. And it includes delivering against our environmental obligations.

But there are some areas where we've still got work to do. We're continuing to feel the impact of the criminal cyber-attack on our parent company, South Staffordshire Plc, in July 2022, for example, and have to rebuild our customers' trust in us. We've been listening to customers' concerns and have put an action plan in place to help us achieve this.

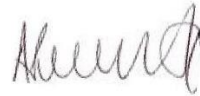
Of course, we wouldn't be able to do anything without our people. As a Board and an Executive team, we're always impressed by the passion and commitment of all our people to

deliver a job well done for customers and the environment. From the teams in the field, finding and fixing leaks every day, to those at our water production sites or in our offices across both regions, our people always strive to deliver on our promises and achieve the best outcomes.

We want to take this opportunity to thank them all for continuing to ensure we secure the water future for all our customers and other stakeholders, now and over the long term.



Lord Smith of Finsbury
Chair



Andy Willicott
Managing Director

Financial performance

Our financial performance during the first half of the year has remained strong, alongside our uninterrupted supply and continued support to our customers. With the macro environment still impacting our business, our people and our customers, we are continuing to experience significant pressure on energy, chemical and borrowing costs driven through inflation.

We agreed an 8% pay award with a £600 one-off bonus for our people and continued to offer financial support to our customers who are struggling to pay their water bills through enhancing our existing assistance programmes.

We use several financial key performance indicators (KPIs), which include, but are not limited to, the following.

	September 2023	September 2022 Restated
Turnover £m	77.7	72.7
Operating costs £m	(64.5)	(64.4)
EBITDA £m ¹	29.1	25.6
Operating profit £m ²	17.3	14.1
Net debt £m ³	337.6	253.2
Gearing ⁴	65.5%	56.3%

Notes:

1. EBITDA reconciliation is shown below.

	2023	2022 Restated
Operating profit £m	17.3	14.1
Depreciation: intangible assets £m	0.4	–
Depreciation: non-infrastructure assets £m	10.8	10.9
Depreciation: infrastructure assets £m	2.2	2.1
Capital contributions £m	(1.7)	(1.7)
EBITDA £m	29.1	25.6

2. Operating profit less depreciation and amortisation of capital contributions.

3. Net debt £m is reported for borrowing covenants (see page 6). The prior period restatement on page 24 gives further detail around the restatement.

4. Gearing is reported on a covenant basis (see the notes to the cash flow statement on page 22 for details).

Turnover

Our turnover in the year to date has increased by £5 million. We have seen increases in regulated tariffs and inflation. Non-appointed revenues have remained largely in line with the prior year.

In July 2022 we processed a one-off void adjustment where 4,904 properties were confirmed to be unoccupied and so were moved to void status. This resulted in a £3.9 million reduction to household turnover and £1.0 million reduction in bad debt charge. These were identified to be vacant properties for a period of time and therefore the majority of the adjustment impacted household turnover in prior years. As a result, we have made a prior year adjustment for this amount in line with the adjustment in the year ended 31 March 2023 financial statements.

Since the criminal cyber-attack one of our systems, which automates the meter reading process, has been unavailable.

This has meant that all meter readings in our Cambridge region are having to be completed manually and on paper. This has impacted the efficiency of the meter reading process and has increased the number of instances where it has not been possible to take a reading, so higher volumes of bills have been estimated.

Our disclosure of commissions earned shows both the turnover and the associated operating costs. Commissions are earned on the collection of amounts billed for other water companies for sewerage services they provide to customers, and through an agreement to identify customers to offer insurance policies.

Operating profit

Alongside the increased turnover noted above, our costs have increased but are broadly in line with the prior year as a result of sustained water demand across both our Cambridge and South Staffs regions. Demand has remained consistent with last

year, with significant peaks in the summer leading to continued upward pressure on production costs, coupled with further inflationary pressures. We have experienced unprecedented price increases in power and chemicals; however, we have largely mitigated the power increases through a fixed price on the wholesale energy market.

We have also incurred significant uplifts in our net labour costs as a result of the 8% annual pay award and £600 one-off bonus.

We have continued with our infrastructure renewals expenditure in line with our AMP7 (2020 to 2025) plans and we have seen a reduction in contributions compared with the previous year, which is shown within 'Other Operating Income'.

As noted on our external website, in July 2022 South Staffordshire Plc, the parent company of South Staffordshire Water PLC, was the target of a criminal cyber-attack. The key priority for us was and continues to be to maintain safe public water supplies. This incident has not affected our ability to supply safe water to our customers. We are still experiencing some disruption to our corporate IT network. The relevant Government and regulatory authorities have been contacted and we will keep them, as well as our customers, updated as our investigations continue.

Following the cyber-attack we actively paused the introduction of our much-anticipated new billing system, Aptumo, which was planned for July 2022. Implementation was completed in February 2023.

We have reviewed the offerings we have in place for future support for our customers, such as our Assure social tariff, which offers bill discounts for eligible customers. We have amended the criteria to receive this support to be able to help more customers in need. We continued to ensure our customers in vulnerable circumstances know we were there for them with targeted communications and support through our Priority Services Register.

We will closely monitor our cash collection position while keeping our future customer support offerings under review, given the inflationary pressures of the continuing cost-of-living crisis.

Capital investment

We have continued to make progress in delivering our ambitious capital programme to ensure our assets remain in good condition and continue to provide high-quality, reliable water supplies to our customers. The upgrade programme of the two largest water treatment works in our South Staffs region is continuing at Hampton Loade, and we are on track

with our new primary contractors; the work at Seedy Mill is complete.

Treasury, net debt and borrowing covenants

The main purpose of our financial instruments, including derivatives, is to finance our operations and limit risk from fluctuations in external indices outside our control. This includes entering floating to fixed interest rate swaps, where this is considered appropriate. During the first half of the year and the previous year, our policy has been not to carry out any trading in financial instruments. Our policy in relation to cash, loans receivable and borrowings is to maintain flexibility with both fixed and floating rates of interest, and long- and short-term borrowings.

To support the long-term financing needs of the business £60 million of new long-term fixed rate funding was drawn from Pricoa Private Capital ('Pricoa') prior to the 31 March 2023 financial statements. The company has agreed additional funding of up to £40 million of private placement notes and has arranged for the first £20 million of seven years' notes to be received on 20 December 2023.

Our net debt includes index-linked debt, bank loans and debenture stock less cash. During the year to date we have revalued our index-linked debt to reflect the increases in actual RPI in the period. This has significantly increased our financing costs. The reconciliation between covenant net debt and book net debt is shown in the notes to the cash flow. Standard & Poor's (S&P) continues to rate the company as BBB+ in negative outlook with Moody's rating us at Baa2; both are within investment grade.

Dividend payment

As per the dividend policy the business usually makes two dividend payments each year: one interim and one final. Ahead of the business making the decision on the interim dividend payment, the Board carefully considered the performance of the business.

Taxation

The tax charge is based on the estimated effective rate of tax, including deferred tax for the full year to 31 March 2024. A tax credit adjustment of £292,000 is also included in respect of the prior year.

Operational performance

Performance against our targets

We have made a good start to the 2023/24 reporting year in terms of our operational performance. We are doing well against a number of our key customer commitments, including for things like supply interruptions, mains bursts and mains repairs. As these are key indicators of the health of our assets, it is important for us – and our customers – that we remain on track with these commitments and deliver against our targets.

For example, we have continued to perform strongly on supply interruptions during the first half of the year. This performance commitment relates to the average number of minutes lost per customer for interruptions that last three hours or more. In September we were classed as a ‘top performer’ in this area for 2022/23¹ by the regulator Ofwat and we are targeting forecast performance of 2 minutes and 55 seconds by the end of the reporting year.

We are also on track to meet our year-end target for mains repairs. Here, we measure the number of repairs we carry out per 1,000 km of water main and have a target for the year of 124.2. The largest risk to our performance against this commitment is the severity of the weather during the winter months. So, we are mitigating this with targeted mains renewal programmes across our Cambridge and South Staffs regions.

And we remain on track to meet our target of fixing 90% of visible leaks within four days, having already put the people, processes and systems in place to enable us to achieve this. Again, there is a potential risk around weather-related events during the winter months. This is because in the event of severe weather we pause our activity to find and fix visible leaks and prioritise maintaining water supplies to customers.

In addition, we are in a reasonably good position in terms of our overall leakage reduction performance for the first half of the reporting year – particularly in our Cambridge region where we are currently outperforming our target, despite some increases in leakage levels in June and July. In our South Staffs region we are currently slightly behind where we would like to be in terms of delivering against our target. However, we are hopeful that the new household water night use model we implemented earlier this year – and which we discussed in our [annual report and financial statements](#) for the year ending 31 March 2023 – will help us to tackle leakage more effectively and meet our target by the end of the reporting year.

Our performance in relation to water quality has been more mixed. The year to date is proving to be challenging for our

Compliance Risk Index (CRI) performance. This is the principal regulatory measure of compliance with the very stringent drinking water quality standards set by the Drinking Water Inspectorate (DWI). It is also an area where we have performed fairly well in the past. Unfortunately, we have experienced a small number of quality-related failures at a few sites in our South Staffs region during the first half of the year. And while we are working closely with the DWI to satisfactorily resolve these issues, we are likely to be in a penalty position for this performance commitment at year end.

We've made a good start to the 2023/24 reporting year and are performing well against a number of key commitments. This includes things like supply interruptions, leakage, customer contacts about the quality of the water we supply and the levels of financial support we provide to customers who are struggling to pay their water bills. For those commitments where we still have some work to do to meet our targets, we've ensured we have plans in place to enable us to deliver improvements in the second half of the year.

But we are continuing to show demonstrable improvements for the number of contacts per 1,000 of population we receive from customers about the acceptability of the water we supply to them in terms of its colour, smell and taste. We have set up a formal working group to review customer contact data each month, carry out deep dives into potential root causes and identify remedial actions. We think this will help us to deliver a forecast target performance of 0.65 contacts per 1,000 of population by the end of the reporting year.

One area where we always want to perform well is our customer service. We are delighted to be considerably ahead of our target for number of customers to whom we are providing financial support to help them pay their water bills, which currently stands at 38,000. During the first half of the year we have helped more than 60,000 household customers through our support tariffs (Assure and WaterSure), our Charitable Trust and the measures we have put in place to make it easier for customers to develop long-term, sustainable payment patterns and behaviours. Looking ahead, we are planning to establish a new affordability hub to ensure support is targeted in the most effective way and provided to those customers who need it.

¹ See Ofwat's 'Water company performance report 2022-23' published in September 2023. [PowerPoint Presentation \(ofwat.gov.uk\)](#)

We are also pleased to have got back on track with our performance commitment for the number of young people we engage through our education outreach programme. This commitment has been impacted by the long-term effects of the COVID-19 pandemic, which made it difficult for us to engage effectively in school settings and deliver our full outreach programme. During the first half of the reporting year, we delivered our education workshops to 1,952 pupils and at the time of writing have bookings to reach a total of 5,200 young people. We are confident that we will achieve our year-end target of engaging with 6,000 young people. We are also developing an award scheme for water efficient schools, which will help to spread the messages of our outreach programme.

In addition, our reach for the number of customers on our Priority Services Register (PSR) is well above target – we are forecasting that we will have around 11% of our household customer base registered by the end of the reporting year. But we are currently behind where we would like to be with the second element of our PSR performance commitment – attempted actual contact – and expect to catch up in this area over the coming months. In line with Ofwat’s proposed customer focused licence condition, our focus is shifting to enhance our current PSR offering, particularly during supply interruptions.

We are also currently behind our target for the percentage of customers already on our PSR taking up our extra care support package. We offer this service for customers who need extra help – for example, in the form of additional meter reads, fast track referrals to other means of support, tailored communications and links to other partners and advice or service providers. We are expecting registrations for our extra support scheme to pick up during the rest of the year and are forecasting having 6% of PSR customers receiving our extra care support, beating our target for the year of 5%. This is something we will be addressing this as part of our new affordability and vulnerability strategy, which is currently in development.

We always strive to deliver the best experience for our household customers. So, we are disappointed to be below where we want to be at this stage of the reporting year in terms of our C-MeX performance. This is the main regulatory measure of household customer experience and satisfaction. We are focusing our attention on enhancing our customer communications around unplanned supply interruptions, support with payment arrangements and the help we have available for customers in debt with their water bills. As well as improving the experience our customers have with us, we also hope this will help to improve our C-MeX league table position.

Another key priority for us and our customers is the work we are doing to enhance and protect the environment. We know it is

essential that we always mitigate the impact of our activities on the environment and strive to leave it in a better state for future generations. We have a number of environmental schemes that we are required to deliver under the Water Industry National Environment Programme (WINEP). We are currently on track to deliver our obligations in this area for the year.

We also have a performance commitment designed to manage the volume of water we abstract from environmentally-sensitive sites in our Cambridge and South Staffs regions. This determines whether or not we need to trigger the Abstraction Incentive Mechanism (AIM). This is a regulatory tool that incentivises water companies to reduce the volume of water they take (‘abstract’) from the environment when river flows are low. Because we are continuing to reduce our environmental impact and improve the resilience and sustainability of our water supplies, we have not needed to trigger the AIM during the reporting year to date. We engage regularly with the Environment Agency about our abstractions from environmentally-sensitive sites across both regions.

And we are performing well for the area of land that we manage to protect wildlife, plants, habitats and water catchments. We have a target to enhance and protect 592 hectares of land during the reporting year. We are currently ahead of this with more than 783 hectares of managed land enhanced and protected. Among the key enablers for this achievement are the work our Blithfield estate team and our catchment management team carry out to deliver sustainable environmental improvements and biodiversity enhancements.

As a business, we recognise the importance of retaining the trust of our customers and providing services that are value for money. We have bespoke performance commitments for both these measures, which underpin all our other customer promises. As we discussed in our annual report and financial statements for the year ended 31 March 2023, we have seen a decline in our trust and value for money scores over the past couple of years. We think there are a number of reasons for this, not least the impact of the criminal cyber-attack on our parent company, South Staffordshire Plc, in July 2022, the negative reporting of the water sector in the media over the past 12 to 18 months and the impact of the cost-of-living crisis on our customers’ household budgets.

Because we are still below where we would like to be for both our trust and value for money performance commitments, our Communications and Retail teams have developed an action plan to recover our position in both areas. We recognise that we need to listen to and understand our customers’ views in these critical areas and are hopeful that we can deliver meaningful improvements in the scores for both measures by the end of the reporting year.

Securing your water future – delivering ambitious plans for 2025 to 2030, set within the context of a long-term delivery strategy

One of the focuses for the business during the first half of the reporting year has been the production of our AMP8 business plan covering the five years from 2025 to 2030 and a long-term delivery strategy, which sets out our thinking on the investments we will need over a 25-year timeframe from 2025 to 2050. We submitted our [plans, supplementary documents and data tables](#) to Ofwat on 2 October.

Our AMP8 business plan builds on our previous five-year plans and lays the foundations for future planning periods. This long-term thinking is at the heart of all our decision-making. Over the five-year AMP8 period, and with Ofwat's support, we will invest around £819 million in proactive customer services and resilient infrastructure. This includes substantially renewing the networks in our Cambridge and South Staffs regions, while delivering cost efficiency. We will also continue to enhance and protect the environment, making sure we leave it in a better state for future generations. And we will keep our water bills affordable, while providing help and support to those customers who need it.

Key among our AMP8 commitments include the following.

- Investing £150 million to maintain our assets for the long term and £84 million on mains rehabilitation and other schemes. We are also seeking £140 million to enhance our assets, focusing on delivering high-quality water and resilience over AMP8 and beyond.
- Delivering ambitious leakage reductions – cutting leakage by at least 20% in our Cambridge region and 15% in our South Staffs region by 2030. We will also target leakage on customers' supply pipes, which accounts for around 30% of all leakage on our network.
- Developing alternative water sources for our Cambridge region, which is in one of the driest parts of the country. This includes working in partnership with Anglian Water on a bulk transfer of water from its Grafham reservoir into our Cambridge region and the construction of a new reservoir in the Cambridgeshire Fens.
- Launching a universal metering programme across our Cambridge and South Staffs regions, with the aim of achieving as close to 100% metered properties across both regions by 2035.
- Investing £19 million to deliver our environmental obligations, including implementing river enhancement and restoration projects for seven chalk streams in our Cambridge region.
- Trialling an innovative essential use discount for customers who are above the income threshold for our Assure social tariff, but who are still finding it difficult to afford their water bills.

During the first half of the reporting year, our attention was on finalising our plans ahead of submission to Ofwat. This included building on the extensive engagement we had carried out with customers and stakeholders to understand more about how acceptable and affordable they found our plans and ensuring buy in from the Board. In addition, following guidance from Ofwat and CCW, we held the first of two 'Your water, your say' sessions, giving around 50 customers and stakeholders from across both regions the opportunity to learn more about – and challenge us on – our AMP8 plans. The second session took place in early November. We will report on this in more detail in our next annual report and financial statements.

Ofwat is now considering our business plan and long-term delivery strategy alongside the plans submitted by the other companies in the England and Wales water sector. It will make its draft decisions in May or June 2024, after which we will be able to make our representations on those decisions, before publishing its final decisions in December 2024. AMP8 will begin on 1 April 2025.

Dealing with the impacts of a criminal cyber-attack

In July 2022 our parent company, South Staffordshire Plc, experienced a criminal cyber-attack. The incident did not affect our ability to supply safe drinking water. This is because of the robust systems, processes and controls we have in place to maintain the supply and quality of the water we provide to customers, as well as the quick work of our teams to respond to this incident.

As soon as we became aware of the issue, we engaged our established Incident Response processes. Our urgent priority was to ensure the supply and quality of water, which was quickly confirmed and monitored throughout our response. We immediately engaged leading forensic experts to investigate the issues, with a particular focus on any impact on our customer and HR data.

We notified the Department for Environment, Food and Rural Affairs (Defra), the Drinking Water Inspectorate (DWI), the economic regulator Ofwat and the National Crime Agency. We also informed the Information Commissioner's Office (ICO) in line with our regulatory obligations. We are subject to ongoing investigations by the ICO and the DWI.

Our investigation confirmed the theft by criminals of data relating to current employees, some former employees and some customers who pay by Direct Debit. We notified impacted

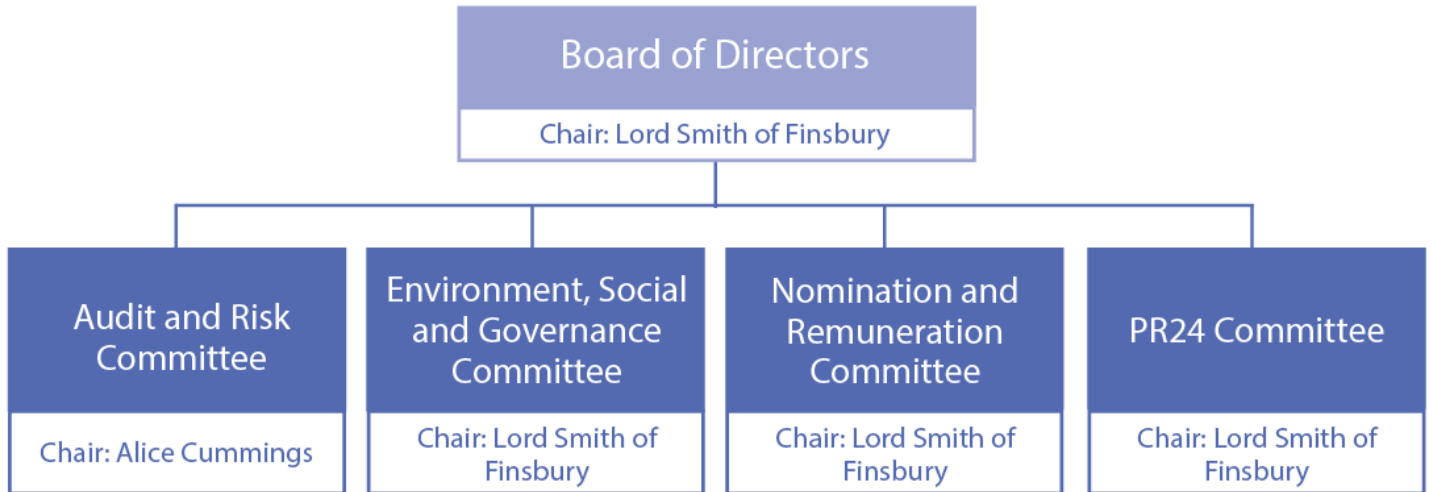
data subjects in accordance with the UK General Data Protection Regulation (UK GDPR) and as soon as we became aware that these groups were impacted, we ran a full programme of support for customers. This included:

- initiating a dedicated helpline;
- creating a dedicated page on our website, including a detailed FAQ;
- using our social media channels to share information and answer queries;
- paying for access to 12 months of credit and fraud protection monitoring for our people and customers who had been affected; and
- holding several cyber-clinics in MPs' constituencies across our Cambridge and South Staffs regions so customers could speak to us face to face.

Following the incident, we engaged leading IT security experts to work with us to reduce the risk of any further access. They made some recommendations on additional IT security enhancements, and we have already implemented some of these. We have also further strengthened our communications and operational processes, based on lessons learned, which we consider is an important part of any incident response.

Board, Directors and Executive team

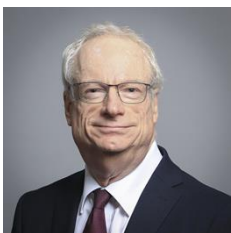
Board structure



Board of Directors

The Board comprises the independent Chair, the Managing Director, the Group Chief Executive and five Non-executive Directors. Three of the Non-executive directors are considered to be independent, in addition to the independent Chair. The largest single group of Directors on the Board during the year was that of independent Non-executive Directors, including the Chair.

The Rt Hon Lord Chris Smith of Finsbury, Independent Non-executive Chair



Chair, ESG Committee
Chair, Nomination and Remuneration Committee
Chair, PR24 Committee

Lord Smith was appointed as an Independent Non-executive Director in October 2018. He is a Life Peer in the House of Lords. Lord Smith has extensive senior leadership experience in both the political world and the public sector, having previously held the posts of Chair of the Environment Agency and Founding Chair of the UK Water Partnership. He is also a Cambridge Water customer.

External appointments: Since 2015, Lord Smith has been Master of Pembroke College, Cambridge, and is responsible for the strategy and planning for the college. He is also Chair of the Intellectual Property Regulation Board, Chair of the Art Fund, President of the Wordsworth Trust and a Non-executive Director of Phonographic Performance Ltd.

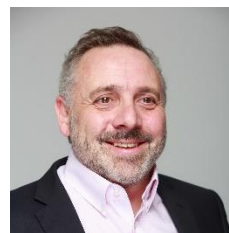
Andy Willicott, Managing Director



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

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

Phil Newland, Group Chief Executive, South Staffordshire Plc (resigned 28 April 2023)



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

External appointments: Director, Pennon Water Services Ltd.

Catherine May, Senior Independent Non-executive Director



Appointed as an Independent Non-executive Director in October 2018, Catherine has more than ten years' experience as a Non-executive Director and Senior Independent Director, and has served on finance, remunerations and nominations committees as a member and Chair. Previously, she served on the Executive Committees of RELX plc, Centrica plc and SAB Miller plc.

External appointments: Catherine is an Independent Non-executive Director and Remunerations and Nominations Committee Chair of the Pensions and Life Savings Association (PLSA), Chair of the English National Opera Trust and Non-executive Director of the Shoreham Port Board. She is also founder and principal of Catherine May & Associates, an advisory practice providing leadership coaching and reputation management services.

Alice Cummings, Independent Non-executive Director



Chair, Audit and Risk Committee

Appointed as an Independent Non-executive Director in May 2020, Alice has extensive commercial, financial and governance experience in regulated service industries. She was previously Group CFO at the AEA Group. Alice's earlier career was with South West Water plc and Price Waterhouse. She has a BEng degree in Chemical Engineering from Imperial College, London, and is a Fellow of the Institute of Chartered Accountants in England and Wales.

External appointments: Alice is a Non-executive Director at Idox Plc, where she serves as Chair of the Audit Committee and as a member of the Remuneration Committee and the Nomination Committee. She is a Non-executive Director, Vice-Chair, and Chair of the Audit and Risk Committee at Cottsway Housing Association, and Non-executive Director and Chair of the Audit and Assurance Committee at Curo Housing.

Professor Ian Barker, Independent Non-executive Director



Appointed as an Independent Non-executive Director in April 2022, Ian is a Chartered Environmentalist and an Honorary Fellow of the Society for the Environment, a Fellow of the Institute of Water, Expert Adviser to the Organisation for Economic Co-operation and Development (OECD), and an honorary professor at the University of Exeter. Ian has spent his career in the UK water and environmental sectors, and brings extensive experience in water regulation, planning and management. At the Environment Agency, he was responsible for water planning and management for England and Wales, as well as fisheries, biodiversity and land management. He was appointed by the parliamentary Environmental Audit Committee to advise its Inquiry into Water Quality in Rivers.

External appointments: Ian is a Non-executive Director of the Institute of Water and Vice-President Environment. He is a Non-executive Director of the Society for the Environment and of the Water Industry Forum. He was Managing Director of Water Policy International Ltd until 21 February 2023.

Keith Harris, Non-executive Director and Arjun Infrastructure Partners Representative



Appointed as an Independent Non-executive Director in April 2015, Keith became a Non-executive Director and Arjun Infrastructure Partners Representative on 25 October 2018, following the sale of the Group and the company. Keith is the owner of the advisory business Lorraine House and spent 20 years at Wessex Water. At Wessex Water he held various senior executive and Board positions, including CFO and deputy CFO. He brings strong financial and regulatory experience to the Board.

External appointments: Keith is an Independent Non-executive Director at Ervia, the parent company of Irish Water, Gas Networks Ireland and Aurora Telecom, serving as the Chair of the Audit and Risk, and Finance and Investment Committees. He is an industry Partner with Arjun Infrastructure Partners and an Associate at Oxera.

Peter Antolik, Non-executive Director and Arjun Infrastructure Partners Representative



Peter was appointed as a Non-executive Director and Arjun Infrastructure Partners Representative on 25 October 2018. He is a Partner of Arjun Infrastructure Partners and his

background covers regulated companies, transport regulation and the management of infrastructure funds and investments. Peter joined Arjun from the Office of Rail and Road, where he led the Highways Directorate. He was previously an Executive Director at JP Morgan Asset Management, and Strategy and Regulation Director at Thames Water.

Key:

	Audit and Risk Committee
	Environmental, Social and Governance Committee
	Nomination and Remuneration Committee
	PR24 Committee

Executive team

Abbie Poulton, Finance Director



Abbie joined South Staffordshire Water in 2019 and was appointed to the Executive team in 2022, having previously been Financial Controller. She is a Chartered and Certified Accountant who qualified with Pricewaterhouse coopers LLP in 2004. Abbie joined Severn Trent in 2010, progressing

through several roles in both Group Finance and the Financial Service Centre.

Caroline Cooper, Strategy and Regulation Director



Caroline was appointed to the Executive team in 2020. She was previously responsible for South Staffordshire Water's successful PR19 submission, developing a business plan which delivers for customers and the environment. This saw the company secure more than £660 million of

funding for the five years from 2020 to 2025. Caroline has spent all her career in the water sector, previously working for Severn Trent Water until she joined South Staffordshire Water in 2003 as an asset management specialist. She has progressed through several roles within the business and has extensive knowledge of asset management, business planning and strategy development.

Andrew Lobley, Operations Director



Andrew was appointed to the Executive team in 2021. He has spent his whole career in the water sector, having previously worked for Dŵr Cymru Welsh Water and Cambridge Water in water quality, asset management and operations roles. In 2009 Andrew achieved a PhD in Civil Engineering,

focusing on water quality risk management. He joined South Staffordshire Water in 2014, and before being appointed to his current role held the positions of Director of Operations, and Head of Water Quality and Compliance at South Staffs Water.

Tom Fewster, Asset Management & Investment Delivery Director



Tom was appointed to the Executive team in 2022 and is responsible for delivering our ambitious asset management projects, including capital works and new investment. He also oversees our commitment to support the water sector's road to net zero operational carbon emissions. Tom has

significant experience of managing major capital projects and programmes in the water sector, as well as in the renewable energy and environmental sectors. He has previously been responsible for capital programmes at United Utilities and the Environment Agency, as well as managing the development of renewable energy generation assets for RES Group.

Corporate governance report

Group structure

On 27 July 2022 Arjun Infrastructure Partners acquired the 44.9% stake managed by Mitsubishi, which was held as a 25% share with Mitsubishi Corporation, a global trading business, and a 19.9% investment held by Mitsubishi UFJ Lease & Finance Company.

South Staffordshire Plc ensures through its comprehensive knowledge of its subsidiaries and the water sector that it understands the duties and obligations of a regulated company.

This includes Condition P of South Staffordshire Water's licence and, although some Directors sit on the Boards of South Staffordshire Plc, SSW Finance Limited and the company, South Staffordshire Water acts, with the support of the Group, as if it were a separate listed company. Arjun Infrastructure Partners has two Non-executive Directors on the Water Board.

South Staffordshire Plc provides management, professional and administrative support services to South Staffordshire Water and its other subsidiaries at cost. There was no direct interaction between South Staffordshire Water and the ultimate controlling party, AIP Holdings Limited, a company registered in the UK.

Directors' responsibilities statement

The Directors confirm that these condensed interim financial statements represent a fair view of our performance for the six months to 30 September 2023. A list of the current Directors of South Staffordshire Water PLC is available on our website.

Assurance

These accounts have been reviewed by our independent Group Head of Risk, Control and Assurance and by the Board.

Financial statements

Profit and loss account – for the 6 months ended 30 September 2023

	30 Sep 23 Unaudited	30 Sep 22 Unaudited Restated
	£'000	£'000
Turnover	77,700	72,654
Operating costs	(64,554)	(63,397)
Other operating income	4,208	5,926
Operating profit (before exceptional items)	17,354	15,183
Exceptional items	-	(1,038)
Operating profit (after exceptional items)	17,354	14,145
Finance costs (net)	(17,259)	(15,280)
Profit/(loss) before taxation	95	(1,135)
Tax on profit/(loss)	267	(341)
Profit/(loss) for financial period attributable to the equity shareholders of the Company	362	(1,476)
Earnings per share		
Basic	17.0p	(69.5p)
Diluted	17.0p	(69.5p)

Finance costs (net) includes interest income and interest expense.

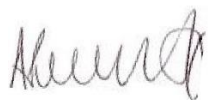
The results above are derived from continuing operations. The accompanying notes are an integral part of these financial statements.

Balance sheet – as at 30 September 2023

	30 Sep 23 Unaudited £'000	31 Mar 23 £'000	30 Sep 22 Unaudited Restated £'000
Fixed Assets			
Intangible assets	5,814	4,838	-
Tangible assets	679,191	655,010	624,682
	685,005	659,848	624,682
Current Assets			
Stocks	3,955	3,870	4,277
Debtors - amounts recoverable within one year	56,659	66,110	47,885
Debtors - amounts recoverable in more than one year	4,399	4,049	2,748
Investments	2	2	2
Cash and cash equivalents	24,481	23,571	77,813
	89,496	97,602	132,725
Borrowings - amounts falling due within one year	-	-	(29,940)
Other creditors - amounts falling due within one year	(88,576)	(89,534)	(93,042)
Net current assets	920	8,068	9,742
Total assets less current liabilities	685,925	667,916	634,424
Borrowings - amounts falling due after more than one year	(373,074)	(361,063)	(312,867)
Other creditors - amounts falling due after more than one year	(9,208)	(10,054)	(6,062)
Accruals and deferred income - falling due after more than one year	(187,462)	(180,153)	(173,746)
Provisions for liabilities - falling due after more than one year	(60,103)	(61,203)	(67,441)
Net Assets	56,078	55,443	74,308
Capital and reserves			
Called up share capital	2,123	2,123	2,123
Share premium account	495	495	495
Capital redemption reserve	4,450	4,450	4,450
Revaluation reserve	29,951	30,163	30,376
Profit and loss account	21,235	20,661	38,447
Hedging reserve	(2,176)	(2,449)	(1,583)
Shareholders' Funds	56,078	55,443	74,308

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

The financial statements of South Staffordshire Water (company number 02662742) were approved by the Board of Directors and authorised for issue on 29 November 2023.



Andy Willicott
Managing Director
29 November 2023

Statement of comprehensive income – for the 6 months ended 30 September 2023

	30 Sep 23 Unaudited £'000	31 Mar 23 £'000	30 Sep 22 Unaudited Restated £'000
Profit/(loss) after taxation	362	(8,086)	(1,218)
Movement in hedging reserve (gross of deferred tax)	364	1,835	2,984
Deferred tax impact of movement in hedging reserve	(91)	(459)	(743)
Total comprehensive income	635	(6,710)	1,023

Statement of changes in equity – as at 30 September 2023

	Called up Share Capital £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Revaluation Reserve £'000	Profit and Loss Account £'000	Hedging Reserve £'000	Total £'000
Balance at 1 April 2022 previously stated	2,123	495	4,450	30,587	39,712	(3,825)	73,542
Restatement					(2,189)		(2,189)
Balance at 1 April 2022 restated	2,123	495	4,450	30,587	37,523	(3,825)	71,353
(Loss) for financial period restated	-	-	-	-	713	-	713
Change in value of hedging instruments - cash flow hedges (gross of deferred tax)	-	-	-	-	-	2,904	2,904
Deferred tax impact of change in value of hedging instruments	-	-	-	-	-	(726)	(726)
Amounts recycled to profit and loss (gross of deferred tax)	-	-	-	-	-	80	80
Deferred tax impact of amounts recycled to profit and loss	-	-	-	-	-	(17)	(17)
Amounts transferred to profit and loss	-	-	-	(211)	211	-	-
Total comprehensive income/(loss)	2,123	495	4,450	30,376	38,448	(1,584)	74,308
Dividends	-	-	-	-	-	-	-
Balance at 30 September 2022	2,123	495	4,450	30,376	38,448	(1,584)	74,308
Balance at 1 October 2022	2,123	495	4,450	30,376	38,448	(1,584)	74,308
(Loss) for financial period	-	-	-	-	(8,800)	-	(8,800)
Change in value of hedging instruments - cash flow hedges (gross of deferred tax)	-	-	-	-	-	(1,240)	(1,240)
Deferred tax impact of change in value of hedging instruments	-	-	-	-	-	310	310
Amounts recycled to profit and loss (gross of deferred tax)	-	-	-	-	-	91	91
Deferred tax impact of amounts recycled to profit and loss	-	-	-	-	-	(26)	(26)
Amounts transferred to profit and loss	-	-	-	(213)	213	-	-
Total comprehensive income/(loss)	2,123	495	4,450	30,163	29,861	(2,449)	64,643
Dividends	-	-	-	-	(9,200)	-	(9,200)
Balance at 31 March 2023	2,123	495	4,450	30,163	20,661	(2,449)	55,443

Statement of changes in equity – as at 30 September 2023 (continued)

	Called up Share Capital £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Revaluation Reserve £'000	Profit and Loss Account £'000	Hedging Reserve £'000	Total £'000
Balance at 1 April 2023	2,123	495	4,450	30,163	20,661	(2,449)	55,443
Profit for financial period	-	-	-	-	362	-	362
Change in value of hedging instruments - cash flow hedges (gross of deferred tax)	-	-	-	-	-	279	279
Deferred tax impact of change in value of hedging instruments	-	-	-	-	-	(70)	(70)
Amounts recycled to profit and loss (gross of deferred tax)	-	-	-	-	-	85	85
Deferred tax impact of amounts recycled to profit and loss	-	-	-	-	-	(21)	(21)
Amounts transferred to profit and loss	-	-	-	(212)	212	-	-
Total comprehensive income/(loss)	2,123	495	4,450	29,951	21,235	(2,176)	56,078
Dividends	-	-	-	-	-	-	-
Balance at 30 September 2023	2,123	495	4,450	29,951	21,235	(2,176)	56,078

Called up Share Capital

The equity reserve represents the equity component of convertible debt instruments.

Share Premium Account

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

Capital redemption reserve

On 1 July 2000 the company redeemed 1,200,000 redeemable preference shares of £1 each at par. On 15 July 2002 the company repurchased 3,250,000 (nominal value £1 each) of its shares from South Staffordshire Water Holdings Limited.

Revaluation reserve

The deemed cost of existing infrastructure assets determined as part of the transition to FRS102 gave rise to a revaluation reserve of £36 million, net of deferred tax, which is being depreciated on a straight-line basis over the estimated remaining economic life of 80 years.

Profit and Loss account

The profit and loss reserve represents cumulative profits, net of dividends paid and other adjustments.

Hedging reserve

The company has entered into derivative financial instruments to hedge exposure to floating interest rates.

Cash flow statement – as at 30 September 2023

	Note	30 Sep 23 Unaudited		30 Sep 22 Unaudited	
		£'000	£'000	£'000	£'000
Cash inflow from operating activities			42,135		28,005
Corporation tax paid			(216)		-
Net cash inflow from operating activities	(a)		41,919		28,005
Cash flows from investing activities					
Purchase of intangible fixed assets			-		-
Purchase of tangible fixed assets			(45,219)		(41,833)
Proceeds from sale of tangible fixed assets			12		6
Interest received			2,154		541
Contributions and grants received			9,029		6,670
Net cash outflow from investing activities			(34,024)		(34,616)
Cash flows from financing activities					
Interest paid			(6,985)		(5,673)
Additions to Private placement loans (cash)			-		40,000
Private placement loan issue costs paid			-		(38)
Net cash outflow from financing activities			(6,985)		34,289
Increase in cash	(b)		910		27,678
Cash and cash equivalents at the beginning of the period			23,571		50,135
Cash and cash equivalents at the end of the period			24,481		77,813

Purchase of tangible fixed assets relates to the cash paid out in the period in relation to fixed asset additions.

Notes to the cash flow statement

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

	30 Sep 23 Unaudited £'000	30 Sep 22 Unaudited Restated £'000	£'000	£'000
Total operating profit (after exceptional items)		17,354		14,145
Depreciation	13,479		13,078	
Amortisation of capital contributions	(1,720)		(1,627)	
Profit on disposal of tangible fixed assets	(13)		(19)	
		11,746		11,432
(Increase) in stocks	(85)		(1,205)	
Decrease/(increase) in debtors	7,182		(11,962)	
Increase in creditors	5,938		15,595	
Cash inflow from operating activities		13,035		24,528
Corporation tax paid		(216)		-
Net cash inflow from operating activities		41,919		28,005

(b) Reconciliation in movement in net debt

	30 Sep 23 Unaudited £'000	30 Sep 22 Unaudited Restated £'000
Increase in cash	910	27,678
Bank term issue cost amortisation (non-cash)	95	-
Private placement loan (cash)	-	(40,000)
Private placement issue cost amortisation (cash)	-	38
Movement on index-linked debt (non-cash)	(12,107)	(10,141)
(Increase) in net debt in period	(11,102)	(22,426)
Net debt brought forward	(337,491)	(242,535)

Notes to the cash flow statement (continued)

	Balance at 31 Mar 2023	Cash Flow	Non-Cash Movements	Balance at 30 September 2023
	£'000	£'000	£'000	£'000
Cash and cash equivalents	23,571	910	-	24,481
Irredeemable debenture stock	(1,652)	33	(33)	(1,652)
Bank loans (net of issue costs)	(29,972)	569	(474)	(29,877)
Private placement loans (net of issue costs)	(59,923)	807	(808)	(59,924)
Index-linked debt (net of issue costs and including premium)	(269,515)	4,500	(16,606)	(281,621)
Net debt	(337,491)	6,819	(17,921)	(348,593)

Interest paid on the above borrowings have been shown in interest paid within the cash flow.

It is noted that the covenant net debt value as opposed to the book net debt value is used by stakeholders, including investors, lenders and rating agencies, to monitor key financial metrics such as the net debt/RCV as shown above and below.

	£'000	£'000	£'000
Book net debt (as reported above)	(348,593)	(337,491)	(264,992)
Short-term deposits	0	20,000	0
Exclude book premium on issue of index-linked debt	11,872	12,060	12,241
Exclude unamortised issue costs	(1,688)	(1,617)	(1,537)
Exclude accrued interest	775	1,230	1,127
Net debt reported for borrowing covenants	(337,634)	(305,818)	(253,161)
Regulatory Capital Value	515,854	515,854	449,556
Covenant Net Debt/Regulatory Capital Value	65.5%	59.3%	56.3%

The Regulatory Capital Values are the published numbers as at March 2023 and March 2022.

Notes to the financial statements

The interim results for the six months to 30 September 2023 have been prepared under FRS102 and on the basis of accounting policies consistent with those adopted for the year ended 31 March 2023.

The interim financial information is unaudited and does not constitute statutory accounts as defined in section 44 of the Companies Act 2006. The balance sheet for the year to 31 March 2023 has been extracted from the latest published audited accounts, which have been filed with the Registrar of Companies and on which the report of the auditors was unqualified.

The tax charge is based on the estimated effective rate of tax, including deferred tax for the full year to 31 March 2024. A tax credit adjustment of £292,000 is also included in respect of the prior year.

Copies of the interim report are available from our Registered Office (South Staffordshire Water PLC, Green Lane, Walsall, WS2 7PD) or from our website at: www.south-staffs-water.co.uk/publications/annual-reports.

Exceptional items

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

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

The Group has been subject to regulatory investigation regarding the cyber-attack. While these investigations continue and the outcome remains unknown, the company believes it is probable that further costs associated with the investigation will be incurred and a provision has been recorded within the financial statements of South Staffordshire Water PLC.

Contingent Liability

In July 2022 South Staffordshire Plc (Group), the parent company of South Staffordshire Water PLC (including the Cambridge Water

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

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

Ultimate controlling party

The immediate parent company is SSW Finance Ltd, which is registered in England and Wales.

South Staffordshire Plc, which is registered in England and Wales, is an intermediate parent undertaking and is the smallest group preparing consolidated accounts that include South Staffordshire Water. During the year to date, the ultimate parent company in the United Kingdom was Hydriades IV Limited, registered in England and Wales, which is the largest group preparing consolidated accounts that include South Staffordshire Water PLC.

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

Prior period restatement

During the financial year ending 31 March 2023, the company performed a one-off review of its household customer base and identified 20,000 predominantly unmeasured properties where the last recorded contact was more than two years ago. It was noted that the lack of contact may imply the incorrect occupant being billed or there are no occupants at the property, or the property was empty and should be categorised as 'void'. The Credit Reference Agency review confirmed, of the 20,000 initial population, a total of 4,904 properties were subsequently confirmed to be unoccupied and so moved to void status, resulting in a cumulative £3.9 million reduction to household turnover and £1.0 million reduction in bad debt charge, which also resulted in a tax impact of £0.7 million.

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

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