



from  
**Southern  
Water** 

# Interim Financial Information and Report

for the six months ended  
30 September 2025  
(Unaudited)





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# Introduction

Six months into our new five-year business plan, we're continuing to deliver improvements for customers and the environment, building on the success of our Turnaround Plan. We have already invested £483.6 million, as we begin delivery of our plans for the period to 2030.

Over the next five years we're making our largest investment yet to put the infrastructure in place that's needed to serve our communities long into the future.

With the continued support of our shareholders, we'll invest more than £6 billion before 2030 improving our water and wastewater services across the South East. To address the challenges of climate change and a growing population, we'll invest: £855 million in Hampshire, close to £1 billion on the Isle of Wight, over £275 million in West Sussex, over £475 million in East Sussex and more than £1 billion in Kent ([Improvements In Your Area](#)). These investments will help us to protect the environment while making our services more reliable and efficient.

This has meant increasing customer bills, and we know this is unwelcome as the cost-of-living crisis continues to put pressure on finances. We've done all we can since our charges increased in the spring to communicate these changes to customers, explaining the benefits the extra money would deliver, but also offering support to those that need it most. We're currently

supporting a total of 174,116 customers via our social tariff 'Essentials' and providing an additional support package totalling £235 million to 2030.

These investments will protect the region's precious chalk streams and customers' water supplies, with schemes including the first new reservoir in the UK for 30 years at Havant Thicket in Hampshire, and a number of water recycling plants, including Sandown. Alongside this we've begun work on the first of two new major pipelines in Southampton and later Andover, which will enable us to move larger volumes of water around more quickly to where it's needed most. We're cleaning up our rivers and seas and removing harmful nutrients in line with new standards. We're also reducing pollution incidents and installing sustainable drainage and nature-based solutions to reduce flooding and storm overflow releases along 700+ miles of coastline. To ensure our customer service is trusted and easy, we've started our meter upgrade programme.

We apologise sincerely for the incident at our Eastbourne Treatment Works that occurred in October 2025, where up to 10 tonnes of plastic beads which are used in wastewater treatment escaped and entered the sea via a 3.4km long outfall pipe. We know that this rare and extremely serious occurrence, caused anger and anxiety to communities along the south east coast. We're determined to do all we can to put things right, and we recognise this is a long-term, substantial commitment.

We've launched an independent investigation into the cause, and have commissioned expert advice relating to the longer-term impact. We're working closely with the Environment Agency as part of the clean-up and environmental response.

Over the past few years, we've made significant improvements in some key areas, including leakage, total pollutions, flooding and storm overflow release reductions. Ofwat's Annual Performance Report published in October, outlined how water companies were delivering services across England and



## Introduction continued

Wales over the previous year (2024–25). Despite our operational improvements, Ofwat placed Southern Water in the lagging category, along with four other companies. However, we maintained a two-star Environmental Performance Assessment rating from the Environment Agency, published at the same time. I'm confident that the improvements we're making now, building on our turnaround, will enable us to continue to deliver better services for our customers and the environment, at pace.

Our internal culture continues to evolve and is the foundation upon which we're transforming as a business. Over the past few months, we welcomed our new Chief People Officer, to embed a much broader programme which combines existing safety and security culture initiatives with new leadership standards and performance management, in alignment with the goals in our five-year business plan. While with our internal 'Hydr8' performance updates, we've taken around 1,800 employees through our plans, hosting interactive events across our region.

We continue to receive support from our shareholders who will have injected £2.3 billion into the group since September 2021, including their commitment in July 2025 to invest £655 million of additional equity, £505 million of which was received in November and £150 million which will be paid by March 2026. An update on an additional equity commitment, being a minimum of £245 million, is expected before the end of December 2025. Of the equity received to November 2025, £1.4 billion has flowed into Southern Water, with the remainder used to repay and restructure debt in our holding companies. This equity, along with additional debt financing of over £1.5 billion raised since March 2025, has improved our financial resilience and resulted in S&P removing its CreditWatch

from our credit rating. Further details of our financial performance, credit ratings and going concern statement can be found on pages 11 to 21 of this report.

Along with several other water companies, we sought a redetermination of our 2025–30 price control at the Competition and Markets Authority (CMA) in February 2025 about the amount of money offered by Ofwat for the investment plan we'd submitted. The outcome of its provisional determination allowed us an extra £180 million of revenue in the current regulatory period, and we've increased our customer bills to support the investment needed. This provisional determination has been subject to a period of consultation and the CMA will issue its final decision on 17 March 2026.

### The water sector is changing rapidly

Following the Cunliffe Review, the government announced in July that a new single regulator will consolidate and replace the relevant water functions within Ofwat, the Environment Agency (EA), Natural England, and the Drinking Water Inspectorate (DWI). We look forward to supporting a smooth transition and working with the new regulator when it comes into being.

As part of our new ways of working and recognising the importance of increasing transparency, I took part in our first Customer Scrutiny Committee, which was live-streamed and remains online for public viewing – a first for the water industry. The committee was part of the government's Water Special Measures Act, providing a way to challenge water companies and provide transparency as we move into a period of increased investment and ever-increasing public scrutiny.

### The way we report our performance is also changing

As we enter a new investment period, you'll notice that the way we report our performance has changed. This report, and our Annual Report and Financial Statements published in summer 2026, will have a new format. As well as reporting on our outcome delivery incentives (ODIs), we'll also be outlining areas of capability improvement made across the business as part of our Delivery Action Plan and offering updates on our infrastructure Delivery Plan. By combining these reports into one narrative, we hope it will make it easier for our stakeholders to see not only how we're doing things differently, but also how the changes we're making are driving tangible improvements in our performance and services.

The commentary in this report focuses on what our customers have told us is most important to them – commentary on our remaining ODIs and commitments will be available in our Annual Performance Report in the summer (2026).

The way we source, treat, capture and supply water needs to fundamentally change over the next five to 10 years, and we'll lead this transformation, ramping up our operations and investing in new infrastructure while continuing to protect and improve the environment, addressing the priorities of our customers and providing value for money. This report shows how we're doing things differently, increasing our capability, and delivering hundreds of projects and schemes that will enable us to continue to improve our performance and services now and in the future.

**Lawrence Gosden**  
Chief Executive Officer



# Performance table

Performance commitment	Measure	Performance against our AMP7 targets				Performance against our AMP8 targets		Long-term priority
		2021–22	2022–23	2023–24	2024–25	2025–26 at mid year	2025–26 EOY forecast	
<b>Water usage (per capita consumption metric changed, three year rolling average) (household)</b>	Average volume of water used per individual customer, per day.	●	●	●	●	●	⬆	Ensuring a reliable supply of high-quality water
<b>Business demand non-household usage (New metric, three year rolling average)</b>	The average amount of water supplied to non-household customers, expressed in megalitres per day (ML/d).	●	●	●	●	●	⬆	
<b>Drinking water appearance, taste and odour (metric changed)</b>	The number of water quality contacts from customers relating to taste, odour, and appearance. Measured as number of contacts per 1,000 customers.	●	●	●	●	●	⬆	
<b>Supply interruptions</b>	Average time customers have no water during the year.	●	●	●	●	●	⬆	
<b>Water quality (CRI)</b>	Measure of our compliance with standards for drinking water quality.	●	●	●	●	●	⬆	
<b>Leakage (metric changed, three year rolling average)</b>	Volume of water lost on our pipe network between our water treatment works and a customers' tap.	●	●	●	●	●	⬆	
<b>Unplanned outage (metric changed)</b>	The percentage of water production capacity lost due to unplanned maintenance work.	●	●	●	●	●	⬆	
<b>Mains repairs</b>	Repair per 1,000 kilometres of our water network.	●	●	●	●	●	⬇	
<b>Operational greenhouse gas (GHG) emissions (water)</b>	The annual amount of greenhouse gas (GHG) emissions associated with the water side of our business measured in tonnes CO <sub>2</sub> e, (carbon dioxide equivalent) at the end of each financial year.	●	●	●	●	●	⬆	

Key ● On target ● Not on target, but improving on prior year ● Off target and worse than prior year ● New metric not previously reported ⬆ Performance improving = Performance static ⬇ Performance declining

## Performance table continued

Performance commitment	Measure	Performance against our AMP7 targets				Performance against our AMP8 targets		Long-term priority
		2021–22	2022–23	2023–24	2024–25	2025–26 at mid year	2025–26 EOY forecast	
<b>Storm overflows (new metric)</b>	The average number of times storm overflows have spilled in the year*.	●	●	●	●	●	⬆️	Protecting and improving the environment
<b>External flooding</b>	Number of times customers' properties were externally flooded with wastewater from our network.	●	●	●	●	●	⬆️	
<b>Internal flooding</b>	Number of times customers' properties were internally flooded with wastewater from our network.	●	●	●	●	●	⬇️	
<b>Total pollution incidents</b>	Number of times polluting material has escaped/spilled from our pipes, treatment works or pumping stations.	●	●	●	●	●	⬆️	
<b>Treatment works compliance</b>	Number of our water treatment works which failed to comply with their environmental permits.	●	●	●	●	●	=	
<b>Sewer collapses</b>	Number of sewer collapses, including mains bursts.	●	●	●	●	●	⬆️	
<b>Bathing water quality (new metric)</b>	Average score out of 100 for bathing water quality. Scores are weighted 100% for excellent classification, 66% for good classification, 33% for sufficient classification and 0% for a poor classification.	●	●	●	●	●	⬆️	
<b>Operational greenhouse gas (GHG) emissions (wastewater)</b>	The annual amount of greenhouse gas (GHG) emissions associated with the wastewater side of our business measured in tonnes CO <sub>2</sub> e, (carbon dioxide equivalent) at the end of each financial year.	●	●	●	●	●	⬆️	Understanding and supporting our customers and communities
<b>Customer experience (metric changed)</b>	Customer satisfaction score out of 100.	●	●	●	●	●	=	
<b>Developer experience (metric changed)</b>	Developer satisfaction score out of 100.	●	●	●	●	●	=	

**Key** ● On target ● Not on target, but improving on prior year ● Off target and worse than prior year ● New metric not previously reported ⬆️ Performance improving = Performance static ⬇️ Performance declining

Note: Changes have been made by our regulator to how some of the metrics are calculated, to better reflect performance: two separate measures will now become one with the drinking water taste and odour measurement now being combined with drinking water appearance; unplanned outage will now include the previously excluded weather events; and there has been a change to how leakage and customer consumption are calculated. Bathing water performance will also be scored differently, with Ofwat setting all companies a score out of 100; weighted at 100% for excellent classification, 66% for good classification, 33% for sufficient classification and 0% for poor. Ofwat has also made changes to the way we measure and score customer satisfaction. This means that our previous weighted scores for C-MeX and D-MeX aren't comparable with the changed definitions.

\*The average number of times storm overflows have spilled in the year, including an 'uptime adjustment' where each overflow is assumed 100 spills per year if we're not monitoring it in real-time. This means if an overflow is unmonitored for a whole year, we allocate it with 100 spills, using the overflow availability percentage, so an overflow with 97% of data available in 2025 will have three average spills added.



We want our customers and stakeholders to be confident that we're operating in their best interest. The following performance update offers an overview of what we're doing to continue to deliver safe, reliable water and wastewater services while also improving our environmental performance.

In the following sections, we'll highlight significant improvements over the past six months as part of our **Delivery Action Plan** (see section called: How we're doing things differently), **Delivery Plan** (see section called: Projects and schemes) and **business-as-usual** (see section called: Progress we're making).

## Protect and improve the environment

**Over the next five years we'll go beyond compliance and look to improve and enhance ecosystems, where we can. We'll reduce the water we take from rivers and streams and keep them free from pollution and harmful nutrients to protect and improve water quality. We also commit to reducing our use of storm overflows.**

### Reducing pollutions and flooding

#### How we're doing things differently

We've improved proactive maintenance and compliance across our wastewater network – reducing pollutions and flooding – by creating a new asset register, supported by AI-driven health checks. We've also installed a new compliance database and mapping system, increasing visibility of issues on our network so we can better track risk. At the same time, we've identified a number of high impact interventions to reduce pollution risk, which have been front-end loaded to be completed by January 2026.

A new tankering contract is in place, allowing us to work more efficiently, reacting to issues with our sewer network quickly. We now have more than half of the new contracts in place for the next five-year investment period, to improve overall efficiency in our wastewater operations.

#### Projects and schemes

To reduce flooding and pollutions caused by power failures on our network we've started a programme to upgrade

equipment at our sites, we're investing £1.24 million this year of the £18 million allocated to 2030.

In order to support regional growth, we're also upgrading several key wastewater sites and building a new one at Whitfield. We're progressing through our projects this year and will invest £11 million. By the end of 2030 we'll invest £300 million supporting regional growth – with projects at Swalecliffe, Portwood and Northfleet.

#### Progress we're making

Building on investment made in the period to 2025 in sewer level monitors, AI-enabled forecasting and new contracts our external flooding performance remains strong. Cross-team collaboration and better system management have driven additional success in this area. However, we recognise that levels of internal sewer flooding, which we know can be very distressing for customers, remain higher than we'd like. This is disappointing, and we'll continue mitigation work to reduce these incidents as much as possible.

Although we're forecasting to be outside Ofwat's challenging target for pollution incidents, we expect to see a reduction in the total number of pollution incidents compared to last year. This is a result of the focused programme of mitigation actions taken in our Pollution Incident Reduction Plan (PIRP). Our performance on serious pollutions remains of great concern to the Board, and we're determined to reduce these as part of the latest plan.

### Healthy rivers and seas

#### How we're doing things differently

We've set up new supplier frameworks and expanded the existing ones, to help us deliver sustainable drainage projects more quickly, including a new one with partners in the voluntary sector. Our work with local councils has also continued, with eight out of 10 highway authorities now having Memorandums of Understanding in place to continue to deliver local sustainable drainage solutions (SuDs) in public areas and along local highways – reducing run off, flooding and the use of storm overflows.

#### Projects and schemes

Work to upgrade our wastewater network and treatment works to increase capacity, reducing the use of storm overflows, has started. Work is also underway on a number of schemes introducing different interventions to slow the flow of surface water entering the network. This year we are aiming to invest £262 million of £906 million allocated to 2030.

To improve water quality, we're changing our treatment processes at sites across our region. This year we are investing £8 million of £135 million. In addition, we're removing more harmful nutrients like phosphorus and nitrogen from the water we treat. This year we're investing £41 million of £367 million to remove phosphorous. We started work in Tillington in August, and we'll also be upgrading sites in Coolham, Lower Beeding, and Partridge

## Protect and improve the environment continued

Green by March 2026. In terms of nitrogen removal projects, £11.6 million of £230 million will be invested this year.

### Progress we're making

Although we're working hard to reduce storm overflows and their impact, we're forecasting to miss Ofwat's target for reductions by the end of the calendar year. However, we're challenging this target through the CMA process, as even though we've had an extremely dry start to the year, our performance is still above the levels set by our regulator. Our reduction work focuses on a catchment-first approach, rather than just increasing capacity and storage.

We help to look after 87 bathing waters along our coastline, and over the past six months we've continued our work to improve water quality. Our contractors have completed over 100 metres of sewer repairs. Pre-season health checks were carried out at 254 pumping stations and treatment works ahead of the start of 2025 bathing water season, with any required improvements swiftly actioned.

We've also been working with partners and communities to tackle other sources of poor water quality. This includes identifying issues on the plumbing and pipework around local piers, as well as other illegal connections to our network. We've also worked with a number of local authorities to roll out our Yellow Fish campaign to help stop surface water drains being misused and polluted.

Across our catchment programmes, we're delivering a broad suite of projects across our Water Industry Natural Environment Programme (WINEP), restoring precious chalk streams, improving water quality, removing obstacles within river channels, natural flood management through installation of leaky dams in the upper catchments, and more. We've also introduced a commitment to develop the management of INNS (Invasive Non-Native Species) for

which we'll be developing our biosecurity approach across our region.

### Recycling waste, reducing our carbon footprint and improving biodiversity

#### How we're doing things differently

We've completed surveys on two new advanced digestion plants in Kent to improve how we process waste and generate energy.

Our first large-scale electric vehicle (EVs) pilot is underway with Novuna; increasing our roll out of EVs and completing site surveys to install further EV charging equipment. Our refreshed energy policy and strategy is approved, focusing on reducing costs, cutting carbon emissions and improving energy efficiency.

#### Projects and schemes

We're investing £28.6 million of £164 million this year as part of our extensive programme of upgrades across our bioresources sites driven by the Industrial Emissions Directive.

We've been delivering Biodiversity Net Gain where we achieve at least 10% biodiversity uplift on sites impacted by our development projects, as mandated through the planning process on various capital programme schemes.

### Progress we're making

In terms of sludge to land compliance, which is an Environmental Performance Assessment (EPA) metric, we're on track to achieve 100% compliance at year end.

We're now working to develop a new strategic approach to the delivery of Biodiversity Net Gain, which we hope to align to the emerging Local Nature Recovery Strategies, targeting biodiversity enhancement where it can have the most impact while being cost effective. We're forecasting outperforming the biodiversity targets set for both 2028–29 and 2029–30.



# Ensuring a reliable supply of high-quality water for the future

**To continue to provide a high-quality, reliable water supply, we're upgrading pipes, reservoirs and treatment works. [Our Water Resources Management Plan](#) will see us future-proof water supplies – enhancing and protecting rivers, reservoirs and aquifers, but also creating new water resources.**

## How we're doing things differently

A trial of advanced leak detection tools has been completed in Kent before further roll out, helping pinpoint larger leaks, and we've provided our leakage teams with technology – such as thermal imaging drones – to reduce the time to find a leak. We've negotiated a new contract with our longstanding partner Clancy to fix leaks, agreeing new performance targets to reduce cost and speed up repairs.

To prevent incidents, we've digitised our next Safe Control of Operations (SCO) process, helping keep customers in supply while we carry out major works at our water pumping stations. Our dedicated Stopping Large Incidents programme has catalogued lessons learned so they can be captured and shared with our teams and partners. This has allowed teams to refine team structures, processes, and implement technology to prevent any impact to customers and speed up recovery should an incident occur.

We've enhanced telemetry so we can see real time changes to the network when major bursts or leaks happen, before customers' water supply is impacted. We've also installed a new system that has enabled proactive management of our assets to prevent common failures. We've also set up a rapid innovation lab for customer initiatives – 'Project 80' will piloting trials in the Medway area of Kent to improve how we handle water issues, speeding up resolution for customers and reducing repeat calls.

## Projects and schemes

To continue to protect our water sources and maintain world class standards of drinking water quality, we're upgrading our five strategic water supply sites, increasing the amount of water they can treat and improving treatment standards. Over the first year of this five-year period, we're investing over £44 million of £727 million allocated. Stage one contracts have been set up, with design work under way. A revised solution and delivery approach for another site has been agreed which will enable early completion of the scheme, delivering significant operational and resilience benefits in north Sussex.

This year we're investing £4 million of £20 million allocated to 2030 replacing mains, which will not only reduce leakage, but it will also make our network more resilient to outages. While £44 million of £195 million will be allocated to improve supply interconnections this year. Our mains replacement programme is an important part of our leakage reduction plans, the funding for which we're currently challenging through the CMA process.

In terms of major projects to create new water sources and transfers, £64 million of £274 million is to be invested this year. Work has started on the Southampton Link Main, with tunnelling started on the Otterbourne stretch. In addition, we've held three public drop-ins as part of the Andover Link Main consultation. Our planning application to the Isle of Wight Council for our Isle of Wight Water Recycling Project has been submitted.

## Progress we're making

Our water quality is measured with a score for Compliance Risk Index (CRI). Our performance is currently strong, and we're continuing to improve in this area.

Following major improvements in operational resilience and incident management, we've significantly reduced the amount of time customers are without water when the supply is interrupted. We've also had revised targets from our regulator following the provisional Competition and Markets Authority decision.

The work we've been doing to reduce leakage builds on the investments we've made in improved leak detection processes and reducing time to find and fix.

# Understanding and supporting our customers and communities

**Customers needing extra support can sign up to our Priority Services Register, and there are a variety of ways that we can support them financially. We also regularly meet customers face to face at our Your Water Matters events, hosting them on the Isle of Wight (22 May), in Fareham (17 July) and Eastleigh (25 September) and Eastbourne (12 November). Each year we speak to, engage with and listen to over 50,000 customers to understand their expectations and needs to help improve our services.**

We continue to have the second lowest household customer consumption of water in England. We're working with our non-household users under a new Business Demand measure, which incentivises a reduction in water consumption for these customers.

## Providing customer satisfaction and supporting those with extra needs

### How we're doing things differently

Our meter upgrade has begun, marking the beginning of a programme which will help to reduce leaks, improve billing, and support environmental goals while replacing ageing infrastructure. Recruitment and training for our Smart Operating Centre has been completed and is now up and running.

We've also been improving customer communications to support those moving home or closing their accounts, making final bills easier to pay and helping to set up payment plans.

## Projects and schemes

Data gathered from the upgraded meters will help customers understand their daily water usage, leading to possible savings of both water and customer bills, and identify possible leaks. We're investing £25 million on the metering programme this year.

### Progress we've made so far

We're forecasting to maintain our position at 16th out of 17 water companies for our customer measure of excellence, C-MeX, at year end. This is largely due to the introduction of industry wide bill increases in early 2025, leading to a sharp rise in customer complaints and billing enquiries. Our priority has been to stabilise customer service and meet this demand. We've strengthened our communications and support around billing, while also advancing targeted water and wastewater plans to enhance services for our customers.

We've increased the frequency of our customer satisfaction with vulnerability support survey and will now reach out to our customers more frequently, as well as improving the clarity of questioning. For the first half of this year, we achieved a score of 50.12, which is lower than we would want to see.

We're supporting a total of 174,116 customers via our social tariff 'Essentials', against our 2030 target of 182,000. We've also offered support to over 260 customers over the past six months with either a debt write-off or essential white goods grants, with good progress made on improving the offering under our Hardship Fund. For priority services, we're currently supporting 340,319 customers – this has increased from 310,591 at the end of March this year. We've been using initiatives such as auto enrolment with local authorities to help support more of our customers.

Over the summer months, as a precaution, we introduced a hosepipe ban for customers in Hampshire to help reduce pressure on the chalk streams of the Test and Itchen rivers. We would like to extend our sincere thanks to all

our customers for their support during this time, helping to save millions of litres of water every day.

Our teams continue to offer seasonal water-saving advice, through campaigns and audits, to household and commercial customers to reduce water use.

## Supporting local communities

### Progress we've made so far

Over the past six months, we've prepared a second site for wastewater tours in Hastings, East Sussex, starting soon, with a third site planned at Budds Farm, Hampshire, for early 2026.

Our educational activities continue, as well as the range of curriculum linked activities for schools that we offer. Our New Wave Education Programme from April-September 2025 has engaged with 74,164 young people through 600 learning engagements. This breaks down as a total of 70,801 taking part in assemblies, lessons and workshops, 261 young people taking part in a Beyond the Drain wastewater tour at Peacehaven, and 3,102 taking part in outdoor learning through the Our River Our Water programme. Over half of students – 58% in total – were primary school age.

We've completed our £400,000 grants programme supporting Hastings and St Leonards, in partnership with the community – with grants to charities, groups, festivals and events as part of the £1 million offered to the area.

Our employees continued their volunteering work, contributing 3,358 hours which include 1,530 of beach, river and waterway clean ups, helping to promote biodiversity, team wellbeing and connecting with nature.

We continue to benchmark and drive our activities by completing our annual B4si submission to the Business for Social Impact.



# Enabling and empowering our people

## Keeping everyone safe and well every day

### How we're doing things differently

We've designed and launched a new working at height course, that strengthens our legal compliance with Work at Height Regulations. We've also delivered a new IOSH working safely course, which provides employees with the knowledge and skills to be able to identify hazards in the workplace, undertake a risk assessment and implement control measures in line with procedures.

We launched our 'Safe and Well Everyday' plan in April, containing 25 delivery items, and made a dedicated support platform available to our Mental Health First Aiders. It enables them to log conversations and key issues, but also offers them dedicated support.

### Progress we've made so far

As we begin to deliver our largest construction programme ever, we've simplified our Construction, Design and Management (CDM) procedures, and developed a new procedure for operations to hand over part or all a site to a contractor.

To support the change in internal culture that will enable performance improvement at scale, an assessment has been completed, led by our new Chief People Officer.

We're one of only two water companies to have made the latest Inclusive Top 50 UK Employers List (IT50UK), being ranked 19th – up from 29th last year. Our 2024–25 Gender Pay Gap report showed an improvement on the previous year's results – the average pay gap has now equalised, meaning there is no pay gap between men and women.

We continue to run our annual Engagement Survey and our interim Pulse Survey. The most recent survey received an 89% response rate, and we are actively involved in increasing our engagement.

Between April and September, 35 apprenticeships were started, out of which 12 were external recruits and 23 were internal employees, taking the opportunity to develop their skills across a range of business areas.

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# Interim Report Financial Performance

for the six months ended  
30 September 2025  
(Unaudited)



## Interim report – financial performance

Key financial performance indicators	Six months ended 30 September 2025 Unaudited £m	Six months ended 30 September 2024 Unaudited £m	Increase/ (decrease) %
Total revenue	729.9	496.2	47.1
Operating costs	(543.8)	(493.4)	10.2
Operating profit	186.9	3.8	
Net finance costs	(133.3)	(102.1)	30.6
Profit/(loss) before taxation and movement in fair value of derivatives	54.8	(97.8)	
Profit/(loss) after taxation from continuing operations	39.0	(63.1)	
Gross capital expenditure*	483.6	459.7	5.2
<b>Net cash inflow from operating activities</b>	<b>193.6</b>	<b>45.2</b>	<b>328.3</b>

\*Excludes asset adoptions and capitalised interest

### Income statement

Revenue for the period increased to £729.9 million (30 September 2024: £496.2 million). This increase principally arises from the change in our regulatory tariff following Ofwat's Final Determination of our Business Plan for the period from 2025 to 2030. A detailed analysis of revenue is provided in note 5.

Operating costs increased by 10.2% to £543.8 million (30 September 2024: £493.4 million). This increase was largely driven by an increase in operating expenditure described below and additional depreciation arising from our capital programme of £7.9 million.

Over the period to September 2025 the principal drivers of additional operating costs were as follows:

### Increased existing costs

- Inflation which has increased prices for all our operational costs by £8.6 million. The main increases were in our contractor and employee related costs.
- Employee costs increased by £6.3 million excluding inflation. Of this £2.3 million was due to the change in employers National Insurance contributions with the remainder due to increased employee numbers, which grew to 3,071 at September 2025 (September 2024: 2,737) to deliver our business plan for the period to 2030.
- In the period to 30 September 2025, we recognised a bad debt provision charge of £28.0 million (30 September 2024 £12.6 million), an increase of £15.4 million compared to the prior year driven by the increase in our revenues.

### New costs

- As reported in our Annual Report for March 2025, after careful consideration, the Board decided to appeal Ofwat's Final Determination on our plans for 2025–30 to the Competition and Markets Authority. This appeal added £3.2 million to our operating costs in the period to September 2025.
- We have undertaken additional work in the period to improve our customer service and cash collection performance incurring additional costs of £2.3 million.
- Our Clean Rivers and Seas Task Force is undertaking a series of projects to aid the reduction of storm overflows. These projects include initiatives to slow the flow of rainwater into our network. Some of the initiatives do not result in assets that we own and are expensed, incurring £6.0 million of additional operating costs during the period.
- Additional chemical dosing costs of £1.6 million were incurred following the completion of capital projects to install equipment to reduce phosphorus and nitrogen levels.

### Savings

- These cost increases were offset by a £8.2 million decrease in tankering costs that related to dealing with high levels of groundwater in the prior year and lower power costs of £1.2 million driven by reduced consumption.

## Interim report – financial performance continued

We have disclosed in previous Annual Reports that we are investing heavily to improve the resilience of our existing assets, improve operational performance and enhance the level of wastewater treatment we undertake. The £7.9 million increase in depreciation is largely in relation to these operational schemes.

As a consequence of the above we recorded an operating profit of £186.9 million for the period (30 September 2024: £3.8 million).

Net finance costs, excluding fair value movements on financial derivatives, increased to £133.3 million (30 September 2024: £102.1 million). This was largely due to increased borrowings at September 2025 as well as a decrease in the value of interest capitalised of £1.3 million in the period to March 2025. The increased borrowing is funding our largest capital programme. These increases to finance costs were offset by an increase in finance income of £11.2 million in 2025 due to an increased cash and short-term investment position.

As a result of the above movements the profit before taxation and movement in fair value of derivatives amounted to £54.8 million (30 September 2024: £97.8 million loss).

The fair value loss on our derivative financial instruments amounted to £0.2 million (September 2024: gain of £39.0 million). The primary driver for the decrease is our derivative liabilities, which result in the profit reported in the income statement, is the fluctuation in UK Government bond yields which are used to discount the future cash flows. As Government gilt yields are constantly moving the valuation of our derivative instruments can be volatile, as experienced with the significant market movements in gilt yields in recent years. These changes do not represent cash flows.

Our tax charge of £15.6 million largely results from our profit from continuing operations (30 September 2024: £4.3 million charge).

The profit from continuing operations after tax was £39.0 million (30 September 2024: loss of £63.1 million), reflecting the increased revenues which support our ambitious capital investment programme through to 2030. These profits will be put back into the business to support our programme of infrastructure delivery and service improvements for customers. No external dividends have been paid to shareholders since 2017, and none will be before 2030.

## Statement of financial position

As at 30 September 2025, non-current assets were £8,788.6 million (£8,442.8 million at 31 March 2025), an increase of £345.8 million. This largely results from the increase in the value of property plant and equipment and intangible assets of £322.8 million, resulting from our ongoing capital investment programme. There has also been an increase in the asset value of our derivative financial instruments of £14.1 million and an additional £9.7 million payment to Portsmouth Water in relation to our ongoing contributions to the construction of the Havant Thicket Reservoir which are recognised as a long-term prepayment.

Overall, our gross capital expenditure, excluding capitalised interest and asset adoptions, increased to £483.6 million (2024: £459.7 million). This increase reflects the step up in our investments programme as we move into the delivery of our business plan for the period to 2030 and includes:

- £67.8 million under the Water Industry National Environment Programme to reduce nutrients and improve the quality of shellfish waters,
- £42.7 million in relation to improvements at our four largest water supply works,
- £23.1 million of capital expenditure as part of our Clean Rivers and Seas projects and
- £47.7 million in relation to long-term projects to improve and secure water resources into the future.

Current assets increased by £379.0 million from £998.9 million at 31 March 2025 to £1,377.9 million at 30 September 2025. This movement was largely driven by:

- an increase in cash held in short-term investments to £308.8 million since March 2025 (31 March 2025: nil) offset by a reduction in cash and cash equivalents of £88.3 million
- an increase in trade and other receivables and contract assets of £154.6 million which was driven by an increase in trade debtors and accruals of £111.4 million, predominantly reflecting the higher tariff in our revenues together with a temporary timing difference in the receipt of cash from South East Water for customers who they bill on our behalf
- higher prepayments of £65.2 million primarily due to £52.9 million of prepaid costs related to the upcoming increase in shareholder equity and the timing of payments for certain services that cover the 2025–26 financial year.

## Interim report – financial performance continued

- a reduction of £40.7 million in the intercompany balance with SW (Finance) I Plc (SWFI). We transfer funds to SWFI to enable it to make interest payments on its debt as they fall due. These transfers are shown as an inter-company receivable until the interest is paid.
- payments of £11.7 million into a reservoir trust, in lieu of pension deficit contributions, while the current triennial valuation and revised deficit recovery plan is being assessed. Refer to note 16 of the financial statements for further information.

Current liabilities of £1,133.1 million at 30 September 2025 were £13.0 million lower (31 March 2025: £1,146.1 million). This was largely due to:

- a £102.1 million reduction in trade payables and contract liabilities driven by reduced trade and capital creditors reflecting the timing of payments to suppliers over the year-end at March 2025
- an increase of £19.0 million in our interest liability reflecting the timing of interest payments under the terms of our borrowings
- a decrease in accrued expenses of £18.9 million due to higher accruals at March 2025 for operational activity resulting from the winter weather and power costs
- lower short-term borrowings of £6.0 million
- growth in the short-term liability associated with our derivative financial instruments of £93.6 million to £178.4 million (March 2025: £84.8 million) partially offsetting the reduction in the associated long-term liability mentioned below.

There was an increase to the value of our long-term borrowings which grew by £755.5 million, from £5,366.5 million at 31 March 2025 to £6,122.0 million at 30 September 2025 comprising a £750.0 million new bond and a £6.0 million increase as less borrowings have been classified as short-term in comparison to March 2025.

The long-term liability associated with our derivative financial instruments was revalued at September 2025 and decreased by £77.2 million from £1,532.4 million at 31 March 2025 to £1,455.2 million at 30 September 2025.

The pension scheme deficit of £39.7 million (31 March 2025: £48.9 million) is based on the latest actuarial valuation as at 31 March 2025 updated by a qualified independent actuary to reflect the increase in corporate bond yields from March which are used to set the discount rate and the latest asset values as at 30 September 2025. The reduction in the deficit of £9.1 million largely results from the increase in returns on corporate bond yields which are used to determine the discount rate offset by lower projected investment returns as a result of market conditions.

Overall net assets increased from £871.4 million at 31 March 2025 to £918.1 million at 30 September 2025.



## Interim report – financial performance continued

### Cash flow

The cash position decreased from £557.0 million at 31 March 2025 to £468.7 million at 30 September 2025, a reduction of £88.3 million. Details of the principal movements in the cash flow are provided in the table below.

	Six months ended 30 September 2025 £m	Six months ended 30 September 2024 £m	Movement £m	Explanation
<b>Net interest related transactions</b>	<b>(89.4)</b>	(22.8)	(66.6)	In total, the net cash outflow in relation to interest increased by £66.6 million. The principal reasons were: A £13.9 million increase in the movement of our inter-company transfer with SW (Finance) I Plc which is used to pay the interest on our bonds resulting in a £40.6 million cash inflow (2024: £26.7 million inflow). Cash interest paid on loans in total was £58.1 million higher than in the prior year. This was due to first interest payments being made on two loans totalling £56.0 million, the interest payment on the Rolling Credit Facility which was £9.4million higher due to value and timing of the drawdown and the Assured Guarantee fees which were £9.8 million higher than 2024 due to an increase in the fee and the timing (payments that would normally be paid in March 25 were deferred to April 2025). This was offset by the timing of other interest payments totalling £16.5 million paid in April 2024 and March 2025. Accretion payments of £20.7 million were paid in the period to September 2025 (September 2024: nil).
<b>Net movement on borrowings</b>	<b>730.3</b>	479.1	251.2	During the period, we obtained a new bond totalling £750.0 million (excluding issue costs). In 2024 we increased the Rolling Credit Facility by £80.0 million and obtained a new bond of £150.0 million (excluding issue costs). This was offset by loan repayments of £11.0 million (2024: £10.6 million) and loan issue costs.
<b>Movements in short-term investments</b>	<b>(308.8)</b>	(100.0)	(208.8)	There was an additional £308.8 million of funds held on deposit at September 2025 (March 2025: nil) compared to a £100.0 million increase in the six months to September 2024.
<b>Net cash movement from operations</b>	<b>193.6</b>	45.2	148.4	Largely driven by the increase in our operating profit as discussed in the Income Statement section above offset by the negative movement in working capital described previously.
<b>Capital investment</b>	<b>(559.0)</b>	(470.8)	(88.2)	A continuation of our capital investment programme targeted at making refurbishments to our assets to improve operational performance and the timing of the payment of capital creditors at March 2025.
<b>Other</b>	<b>(55.0)</b>	(2.0)	(53.0)	£52.9 million related to prepaid fees associated with the equity injection in November 2025.
	<b>(88.3)</b>	(71.3)	(17.0)	

## Interim report – financial performance continued

### Credit ratings

Our current credit ratings are shown in the table below.

Credit rating	As at signing date of Interim Report
<b>Standard &amp; Poor's (S&amp;P)</b>	Class A debt: BBB- (negative outlook)
<b>Fitch</b>	Class A debt: BBB- (stable outlook)
<b>Moody's</b>	Class A debt: Ba1 (stable outlook)

As noted in our Annual Report, SWS is in a debt covenant trigger event under our Common Terms Agreement which restricts the payment of dividends and requires the preparation of a remedial plan for our lenders. Southern Water has obtained a waiver from its lenders to continue to access permitted financial indebtedness to refinance the business to March 2035 in the event of a trigger event. SWS is also in a credit ratings trigger event which also restricts the payment of dividends under the terms of our Common Terms Agreement. Under the same agreement, SWS would also be in an event of default should it fail to hold two Investment Grade ratings.

Following significant investor support, a Court Scheme of Arrangement was sanctioned on 10 October 2025, permanently removing this Event of Default linked to not holding two Investment Grade ratings. SW (Finance) I PLC currently holds one rating below investment grade, Moody's Ba1 Stable.

Credit ratings agencies, as set out in their public sector wide assessments, have changed their assessment of the stability and predictability of the regulatory environment for the UK water sector. This sector wide review has led to a series of rating downgrades across the sector and the company.

On 31 October 2024, S&P announced its decision to lower the credit rating on the senior secured debt issued by SWS' financing vehicle SW (Finance) I PLC to 'BBB-' from 'BBB'. The rating was put on CreditWatch with negative implications but following the unconditional equity commitment announcements, S&P removed this CreditWatch on 11th November and affirmed the ratings at BBB- with negative outlook.

On 13 November 2024, Moody's announced its decision to lower the credit rating on the senior secured debt issued by SWS' financing vehicle SW (Finance) I PLC to 'Ba1' from 'Baa3'. The rating was on review for a downgrade but this was since affirmed to a stable outlook in July 2025 following the £655 million equity commitment.

On 19 November 2024, Fitch announced its decision to lower the credit rating on the senior secured debt issued by SWS' financing vehicle SW (Finance) I PLC to 'BBB-' from 'BBB'. The rating was also placed on Ratings Watch Negative at that time. In April 2025, following an update about the equity commitment, this Ratings Watch Negative was removed and the outlook was subsequently revised to stable.

The Southern Water Group, as recognised by the credit ratings agencies, has strong liquidity, having secured a total of over £1.5 billion of new debt financing over the past 12 months, including a £750 million bond issue completed in July 2025, a tap of an existing bond for £100 million in October 2025 and a £675 million bond issue in November 2025. In addition, new equity of £505 million was received in November, with a further £150 million of equity committed by 31 March 2026. As a result, the Southern Water Group has increased and extended its liquidity runway, absent new funding, through to March 2027. The Competition and Markets Authority is expected to publish its final decision on our appeal in relation to Ofwat's Final Determination of our business plan for the period 2025–30 in the first quarter of 2026.

## Interim report – financial performance continued

### How we finance the business

Southern Water established a financing structure, known as a Whole Business Securitisation (WBS), in 2003 following its sale by ScottishPower. The WBS sets strict rules which helps to reduce our financing costs and improves access to long-term and secure sources of finance. Reducing financing costs ultimately benefits customers in the form of lower bills.

The WBS works by creating a ring-fence around the Southern Water business in the form of a financing group. The financing group provides security to finance providers in the form of a charge over the share capital of SWS Group Holdings (the top company of the financing group). No security is provided over our individual regulated operating assets. This structure is designed to ensure that, in the event that Southern Water or its financing subsidiaries were to default on their debt obligations, Southern Water would continue to operate as usual. Debt providers are not permitted to either break up or interrupt the business and can therefore only look to a new owner of the financing group to recover their debt in the event of default.

In 2003, a Common Terms Agreement (CTA) between the members of the financing group and its debt investors was established. The CTA sets out arrangements for the ongoing management of the debt issuance programme as well as a number of operating arrangements in order to minimise our financial risk and adhere to good industry practice.

This includes precautionary 'early warning' limits, called trigger events or cash lock ups, which prevent the payment of dividends if a pre-determined limit is breached. Following publication of our compliance reporting in July 2023, where interest cover was reported below its trigger event threshold, in addition to a downgrade by Fitch Ratings at the same time, the company entered a trigger event. This was the first time that a limit has been breached since the implementation of the financing framework in 2003.

The regulatory framework under which revenues and the RCV are indexed exposes us to inflation risk. This risk is managed through the use of inflation-linked loans and derivatives within the overall debt portfolio. We are not restricted to issuing only sterling debt, but will ensure any other currency loans are fully hedged back to sterling. We also hedge our exposure to interest rate volatility by ensuring that at least 85% of our outstanding debt liabilities (in respect of Class A) is either inflation-linked or fixed rate for the current five-year regulatory period and at least 70% in the next period (on a rolling basis).

### Financing since 31 March 2025

Since the publication of our Annual Report in July 2025 we have secured additional debt financing of over £1.5 billion as we continue to build the necessary resilience required to deliver our plans. This comprised a £750.0 million new bond in July, a £100.0 million bond tap in October and a further £675.0 million bond in November.

In addition we received an equity injection of £505 million in November with a further £150 million committed by March 2026 as part of our shareholders continued support for our business plan.

### Going concern

The directors believe, after due and careful consideration, that it is appropriate to adopt the going concern basis in preparing the financial statements for the six months to 30 September 2025 as they have a reasonable expectation that the company will continue in existence for the next 12 months from the date of approval of the financial statements (the 'assessment period'), subject to the material uncertainty as disclosed below.

In their assessment, the directors have identified a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. This relates to the possibility of a future downgrade to a second sub investment grade credit rating. Depending on the circumstances and the approach of Ofwat, this might result in a breach of the company's Instrument of Appointment, which could possibly result in a consequent event of default under the terms of the company's financing arrangements.

### Background to and basis of preparation of the going concern assessment

For the six months to 30 September 2025, the company made an operating profit of £186.9 million (September 2024: profit of £3.8 million). As of 30 September 2025, the company had cash on hand of £468.7 million and cash on deposit for over three months of £308.8 million (31 March 2025: £557.0 million and nil cash on deposit respectively).

The company also had borrowings totalling £6,518.8 million at 30 September 2025 (31 March 2025: £5,771.8 million), for which the earliest repayment is £350.0 million in March 2026. Included within these borrowings there are separate fully drawn bank facilities at 30 September 2025 of £350.0 million (31 March 2025: £350.0 million).



## Interim report – financial performance continued

In the annual report for the year ended 31 March 2025, the company concluded that there was a material uncertainty in respect of going concern which existed. The annual report highlighted a future downgrade to a sub investment grade rating or breach of the Post Maintenance Interest Cover Ratio (PMICR) covenant would result in an event of default under the terms of the company's financing arrangements. Further, the company required additional equity funding to finance the company through the going concern period, which had not been committed at that time as it was subject to the completion of a number of technical conditions. The failure to raise equity or debt funding, or significant operational under performance was highlighted as leading to a potential PMICR covenant breach or ratings downgrade. Since then, the conditions driving this material uncertainty have been partially addressed as follows:

- Equity funding has been received of £505.0 million and the remaining amount due of £150.0 million is unconditional following the completion of a number of technical conditions.
- The financing condition which would have meant an event of default if we failed to maintain two investment grade ratings within our financing arrangements has also since been waived and Standard & Poor's have removed the CreditWatch in respect of their credit rating.
- After moving into a new regulatory period with new revenue allowances there is a significantly higher cash headroom to our PMICR covenant.
- Finally, since the year end, we have issued over £1.5 billion in debt funding with terms ranging from five to eight years supplementing our liquidity profile.

In assessing the going concern position of the company, the directors considered the forecast cash flows over the 12 months to November 2026, the capital structure of the company and financing needs for the period. The directors have considered a base case and various sensitivities, as set out in the sections below as well as considering the funding needs to 31 March 2027 and are satisfied that there are sufficient committed resources in place.

Forecast cash flows for the period to March 2026 and for the period to 2030 (known as AMP8) are based on the company's latest Board approved business plans, which in turn are based on the PR24 Final Determination.

### Forecast liquidity

The company has a significant level of planned expenditure over at least the next 12 months to continue to enhance its assets, improve operational performance and begin

delivering its plans for AMP8. As a result, the company has forecast net cash outflows (pre financing outflows) for every month throughout the going concern assessment period of 12 months to November 2026. In preparing the forecasts, management has considered:

- The company's business activities, together with the factors likely to affect its future development, performance, and position. In particular, the company has considered the significant level of expenditure we have committed to and allowed under the Final Determination and the impact, where possible, of ongoing regulatory investigations (see contingent liability note 21).
- The financial position of the company, its forecast monthly cash flows, liquidity position, covenants and borrowing facilities.
- The continuing effects of recent high levels of inflation on costs such as energy, chemicals, and materials.
- Investment needed to improve operational performance and reduce the impact on the environment from the treatment and processing of water and wastewater and mitigate the effects of climate change.

The company operates in an industry that is largely subject to economic regulation rather than market competition. Ofwat, the regulator, has a statutory obligation to set price limits that it believes will enable the water companies to finance their activities. The forecasts show liquidity headroom for the whole of the going concern period. Downside sensitivities to the cash flows have identified that if total expenditure, over the going concern period, is more than c£1.1 billion over this planned expenditure, the company would not have sufficient liquidity for the going concern period.

The company does not foresee total expenditure exceeding this, due to the detailed 'bottom-up' forecasting processes that occur, and the fact that the costs have remained under the projected forecast in the six-month period to date. This rolling forecasting provides additional rigour to spending plans and takes into account the principal risks and uncertainties as set out on pages 20 to 21. We also note that management has control over the timing of spend commitments and additional contingency included in the budget, with regular management reviews conducted to ensure any variances are identified with sufficient time to employ mitigant action.

### Financing needs

In assessing the going concern, the directors have used a base case forecast that includes the minimum expected equity commitment of £900.0 million with £505.0 million of this already received and the remainder due by 31 March 2026 (of which £150.0 million is unconditionally committed).

## Interim report – financial performance continued

The first requirement for additional debt after the going concern period is in December 2026 to pre-fund the following year capex spend forecast, on a look forward basis. The directors anticipate being able to finance this new funding requirement, based on a history of highly successful fundraising in the past year and following discussions with advisors.

The Final Determination for PR24 was issued on 19 December 2024. The company is currently appealing the outcome with the CMA and this process is expected to conclude by 17 March 2026. No upside from the CMA Provisional Determination received in October 2025 is included in our assessment.

In planning for the future financing needs of the company, the directors have also considered the following information:

- The committed revolving credit facility of £350.0 million which although was fully drawn in the period to 30 September 2025 and proceeds were held as cash, was fully repaid in November 2025.
- Bonds totalling £750.0 million were issued during the half year period and a further £775.0 million were issued since the balance sheet date.
- The availability of a £675.0 million bond backstop facility that expires in April 2026.
- Swap accretions of £74.0 million were paid in November 2025 following the removal of certain mandatory breaks.
- Borrowings are generally at fixed interest rates but include certain inflation-linked loans and derivatives. The inflation-linked instruments are subject to inflation risk which is expected to be offset by the inflationary movement of the RCV and revenues.
- Financing costs are forecast to increase in 2025–26 as the newer debt raised in the period attracts higher interest charges. Average monthly cash interest expense is forecast to be c.£23.0 million across the going concern period (2024–25: £13.0 million).

### Forecast covenant compliance

The borrowings are subject to financial ratio covenants measured against full year financial projections/actual performance each year in March, (such reporting is updated semi-annually), as well as covenants relating to the credit rating of debt issued by the company and its subsidiaries. A breach of these covenants can result in either a trigger event (which among other things prevents the company from making distributions – the company has been in trigger event since July 2023 and is forecast to continue to be so throughout the going concern period) or a default event.

The adjusted interest cover ratio has positive headroom which is expected to remain until March 2027. As a result of the initial downgrade from Fitch Ratings in July 2023, the company is in a trigger event. The company obtained a waiver from its lenders in August 2023 which allows full use of available borrowing facilities, plus the raising of new finance, during a trigger event related to either a credit rating downgrade or a breach of a financial ratio. This waiver is in place until 2035, and the company also increased the associated debt/RCV limit to 75% while in a trigger event.

There is positive financial headroom across all default debt covenant ratios for the going concern period in the base case. PMICR has significant headroom as explained below.

The Debt /RCV ratio has improved due to the equity injections meaning a breach is considered to be remote.

- The PMICR covenant for 2025–26. The PMICR covenant requires that net cash flow from operating activities less capital maintenance expenditure divided by interest be greater than 1. It would be breached in FY26 if net cash flow from operating activities less capital maintenance expenditure were to exceed plan by £192 million (28% of the forecast operating costs in the base case); the consequences of this would be a default event. The company does not foresee net cash flows exceeding this due to the material nature of the overspend required. Further, management has some ability to control cash flows by varying payment terms with suppliers over the short term, and rephasing capital maintenance spend.
- The debt/RCV ratio which is required to be under 75%. An increase in net debt of £549.0 million by 31 March 2026 would cause a breach.

### Regulatory licence compliance

A future downgrade of either of the two current investment grade credit ratings would represent a breach of the company's instrument of appointment. If the company were not able to agree appropriate undertakings to bring itself back into compliance with Ofwat within a period of standstill, then an event of default under the terms of the company's financing arrangements might occur.

### Mitigations

The directors have the following actions available to them in order to manage cash flows during the going concern period, to avoid a covenant or liquidity breach:

## Interim report – financial performance continued

- Rephasing capital spend within the relevant AMP.
- Rephasing other spending, in particular:
  - Capital maintenance spend.
  - Non-essential operating costs.
  - Working with suppliers on payment terms.
- There is also an anticipation of increased revenue as a result of a positive CMA determination which will improve cashflows, the timing of which remains uncertain.
- Further equity support.

In addition, the directors could seek to renegotiate the interest terms or use derivatives to vary the net interest payable amount, although their ability to do this is not completely within their control.

### Conclusion

In assessing whether the company has adequate resources, for a period of at least 12 months from the date of approval of the financial statements, to continue operations and discharge its obligations as they fall due, the directors have taken into consideration all the factors set out above. Accordingly, the directors have concluded it is reasonable to assume that actions can be taken such that the company has adequate resources, for a period of 12 months from the date of approval of the financial statements, to continue operations and discharge its obligations as they fall due.

However, there exists a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern such that the company may be unable to realise its assets and discharge its liabilities in the normal course of business. This could arise if there were a future second downgrade to a sub-investment grade credit rating which could, depending on the circumstances and the approach of Ofwat, result in a breach of the company's instrument of appointment and a consequential event of default under the terms of the company's financing arrangements. Further, while additional ratings downgrades, and the consequential event of default and/or breach of instrument of appointment do not directly impact on our ability to operate as a going concern during this forecast period due to the standstill period, there is a risk that without remedy, the longer-term consequences limit our ability to attract equity and debt funding and hence operate as a going concern in the future.

### Principal risks

Risk management is a core component of our wider governance and internal control framework. It provides the overarching structure through which the company is managed to achieve its objectives.

The most significant risks facing us are referred to as 'principal risks'. These are monitored by our Executive Committee which undertakes a review on a quarterly basis and the Audit Committee. The Audit Committee receives a risk report at its meetings four times per year and advises the Board on the company's overall risk appetite, tolerance and strategy. The Board retains ownership and approval of the company's overall risk appetite, tolerance and strategy.

At November 2025, the principal risks and uncertainties that the business faces over the remainder of this financial year remain unchanged from those we reported in our last Annual Report and Financial Statements. We regularly review key developments and emerging risks to assess whether the current set of risks require any changes and will report proposals for any changes to the Audit Committee and Board.

The principal risks are listed below (in no particular order).

### Operational risks

- **Water** – strengthening supply resilience. Groundwater levels are strong, but contingency plans are in place for prolonged dry weather. The company has improved water quality through targeted programmes and is reducing leakage. Despite two major supply disruptions, a quick response helped manage customer impact. A major capital investment programme is underway to upgrade infrastructure and reduce incidents. We're responding to changing weather patterns and regulatory pressure by environmental impact, though there are challenges that may affect delivery.
- **Wastewater** – Extreme weather, rising demand, and strict regulatory targets are having an impact on our operations. While overall pollution events have decreased since 2020, serious pollution incidents have risen. Meeting future pollution reduction goals will require investment. The Clean Rivers and Seas Task Force is working to reduce storm overflow use. Public engagement remains central, especially regarding spills affecting rivers, chalk streams and bathing waters.
- **Customer** – Since launching our Turnaround Plan in 2023, we have modernised customer service systems, improved the website, and introduced tools to speed up service and reduce complaints. New digital services like our virtual inspector and



## Interim report – financial performance continued

realtime incident maps have improved transparency and response times. Education and community engagement efforts reached over 98,000 young people. To help with rising bills, we have increased the financial support on offer to customers.

### Corporate risks

- **Financial** – We're facing significant financial challenges due to increased public and regulatory scrutiny, which has made it harder to attract investors and raise money. Credit rating agencies downgraded the company in 2024, and more downgrades are possible. Since 2021, Southern Water has raised over £1.6 billion to support improvements and another £655 million has been committed for future investments. We submitted an £8.5 billion plan for 2025–30, but after Ofwat's Final Determination, we appealed to the Competition and Markets Authority (CMA). We have now received the CMA's provisional determination and have responded to its draft findings. Ongoing uncertainty makes it harder for us to plan and deliver key improvements.
- **Compliance** – We're operating in an increasingly complex regulatory environment and remain under close scrutiny from multiple regulators. We're addressing past wastewater permit breaches and actively cooperating with ongoing investigations by the Environment Agency and Ofwat. We're also working to meet obligations under various environmental and water quality programmes, with detailed plans in place for key sites. A five-year compliance programme with Ofwat has been completed, and discussions are ongoing to formally close it.
- **Climate change** – More frequent extreme weather impacts both water supply and pollution control. We must balance strict water abstraction rules with customer demand and environmental protection. Long-term plans guide how we manage water and wastewater services. Operational emissions have decreased, but broader carbon reporting has increased total emissions. Climate risk assessments for 23 sites and a Climate Change Adaptation Report were submitted in 2024. The 2025–30 business plan includes investments to strengthen climate resilience.
- **Delivery** – We've launched our largest-ever investment programme for 2025–30. This includes £3.4 billion for water services, such as modernising major supply works and planning future infrastructure, and £4.1 billion for wastewater services, including major upgrades to reduce storm overflows and improve water quality. A record £3.3 billion will go toward environmental improvements. However, the final scope depends on the outcome of an appeal to Ofwat's Final Determination, currently under review by the Competition and Markets Authority.
- **Digital** – We've strengthened digital and operational technology to better protect systems and data from cyber threats. This includes new enterprise systems for asset management, upgraded connectivity and communications at sites and enhanced cybersecurity measures. The Operational Control Centre has been modernised for greater security and reliability. Customer-facing digital platforms have also been improved. A new risk management office has been set up to ensure a consistent and proactive approach to digital risk.
- **Resources** – We're building a more resilient and sustainable supply chain to support our investment plan for 2025–30. Despite inflation and global supply chain issues, we've expanded our supplier base, simplified contracts, and introduced a balanced scorecard to align suppliers with business goals. We're also managing costs through better planning, budgeting, and risk mitigation strategies like hedging. In 2025, we implemented the Procurement Act 2023 to make procurement more efficient, transparent, and accessible.
- **Health and safety** – We have concluded our programme of work designed to support our companywide Health, Safety, Security and Wellbeing Transformation Plan. It includes a robust framework for health, safety and wellbeing, which is based on risk management and complying with our legal obligations to make sure everyone is safe and well every day. We're also improving our security, policies, reducing risks, and building a culture of security awareness.
- **Corporate affairs** – During the year we were challenged by several significant service disruptions, leading to more customer complaints, negative media attention, and political pressure. In response, we've increased transparency, engaged with stakeholders, and committed to improving performance and trust. A major investment plan for 2025–30 has been launched, aiming to reduce storm overflows, improve water quality and strengthen water supply resilience amid environmental and population pressures.
- **People** – We're focused on having the right people in the right roles to meet our business goals. Key efforts include attracting and retaining skilled employees, especially in technical roles, and developing talent through training and succession planning. However, recruitment is challenged by location, competition and inconsistent terms and conditions. We continue to create a fair, inclusive and value-driven culture.

The significance and potential financial risks of these uncertainties change over time. The key matters of operational and financial performance relating to these risks since the Annual Report are provided within the interim management report on pages 2 to 21.

## Interim report – financial performance continued

Further detailed descriptions of these risks and uncertainties and our risk management process is included in the Annual Report and Financial Statements for the year ended 31 March 2025, which can be found on our website [southernwater.co.uk/our-reports](https://southernwater.co.uk/our-reports).

### Directors and their interests

The directors who held office during the period ended 30 September 2025 and (unless stated) up to the date of signing the interim financial statements were:

<b>Keith Lough</b>	(Chairman)
<b>Lawrence Gosden</b>	(Executive director – Chief Executive Officer)
<b>Stuart Ledger</b>	(Executive director – Chief Financial Officer)
<b>Malcolm Cooper</b>	(Independent non-executive director)
<b>Christèle Delbé</b>	(Independent non-executive director)
<b>Kerensa Jennings</b>	(Independent non-executive director)
<b>Neil McArthur</b>	(Independent non-executive director)
<b>William Price</b>	(Non-executive director)
<b>Stephen Fraser</b>	(Non-executive director)
<b>Neil Corrigan</b>	(Non-executive director)

None of the directors who held office during the period had any disclosable interests in the shares of the company or the group.

### Directors' responsibilities statement

The directors confirm to the best of their knowledge that:

- the report and condensed financial statements have been prepared in accordance with FRS 104 'Interim Financial Reporting'; and give a true and fair view of the assets, liabilities, financial position and profit of the company as required by Disclosure and Transparency Rule 4.2.4R;
- the report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R (indication of important events) during the period and description of the principal risks and uncertainties for the remaining months of the financial period; and
- the report includes a fair review of the information required by Disclosure and Transparency Rule 4.2.8R (disclosure of related parties' transactions and changes therein).

Signed on behalf of the Board who approved the half yearly financial report on 28 November 2025:



**Keith Lough**  
Chairman



**Stuart Ledger**  
Chief Financial Officer

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# Interim Financial Statements

for the six months ended  
30 September 2025  
(Unaudited)

## Condensed income statement

For the six months ended 30 September 2025

	Note	Six months ended 30 September 2025 Unaudited £m	Six months ended 30 September 2024 Unaudited £m
<b>Continuing operations</b>			
Revenue	5	<b>729.9</b>	481.9
Amortisation of regulatory settlement	5	–	14.3
<b>Total revenue</b>	5	<b>729.9</b>	496.2
Other operating income	5	<b>0.8</b>	1.0
Operating costs			
– before charge for bad and doubtful debts, depreciation and amortisation		<b>(322.7)</b>	(295.6)
– charge for bad and doubtful debts		<b>(28.0)</b>	(12.6)
<b>Operating costs before depreciation and amortisation</b>		<b>(350.7)</b>	(308.2)
Depreciation and amortisation		<b>(193.1)</b>	(185.2)
<b>Total operating costs</b>		<b>(543.8)</b>	(493.4)
<b>Operating profit</b>		<b>186.9</b>	3.8
<b>Operating profit/(loss) before regulatory settlement</b>		<b>186.9</b>	(10.5)
Amortisation of regulatory settlement	5	–	14.3
<b>Operating profit</b>		<b>186.9</b>	3.8
Profit on disposal of fixed assets	5	<b>1.2</b>	0.5
<b>Profit before net finance cost and taxation</b>		<b>188.1</b>	4.3
Finance income	6	<b>12.2</b>	12.8
Finance costs	6	<b>(145.5)</b>	(114.9)
Movements on derivative financial instruments	6	<b>(0.2)</b>	39.0
<b>Net finance costs</b>	6	<b>(133.5)</b>	(63.1)
<b>Profit/(loss) before taxation from continuing operations</b>		<b>54.6</b>	(58.8)
Tax charge	7	<b>(15.6)</b>	(4.3)
<b>Profit/(loss) after taxation from continuing operations</b>		<b>39.0</b>	(63.1)

## Condensed statement of other comprehensive income

For the six months ended 30 September 2025

	Note	Six months ended 30 September 2025 Unaudited £m	Six months ended 30 September 2024 Unaudited £m
<b>Profit/(loss) for the period</b>		<b>39.0</b>	(63.1)
<b>Items that cannot be reclassified to profit or loss:</b>			
Actuarial gain on retirement benefit obligation	16	<b>10.3</b>	16.1
Deferred tax asset movement relating to retirement benefit obligation	7	<b>(2.6)</b>	(4.0)
		<b>7.7</b>	12.1
<b>Total comprehensive profit/(loss) for the period</b>		<b>46.7</b>	(51.0)



# Condensed statement of financial position

As at 30 September 2025

	Note	Six months ended 30 September 2025 Unaudited £m	Year ended 31 March 2025 Audited £m
<b>Non-current assets</b>			
Intangible assets	9	80.5	88.7
Property, plant and equipment	10	8,532.7	8,201.7
Investments	11	0.2	0.2
Derivative financial instruments	12	143.3	129.2
Other non-current assets		31.9	23.0
		8,788.6	8,442.8
<b>Current assets</b>			
Inventories		22.8	18.9
Trade and other receivables		423.5	326.2
Contract assets		154.1	96.8
Investments		308.8	–
Cash and cash equivalents	20	468.7	557.0
		1,377.9	998.9
<b>Total assets</b>		10,166.5	9,441.7
<b>Current liabilities</b>			
Trade and other payables		(550.5)	(649.9)
Contract liabilities		(36.7)	(38.0)
Borrowings	20	(357.6)	(363.6)
Lease liabilities	20	(5.8)	(6.0)
Derivative financial instruments		(178.4)	(84.8)
Regulatory settlement liability	13	–	–
Provision for liabilities	14	(4.1)	(3.8)
		(1,133.1)	(1,146.1)
<b>Net current assets/(liabilities)</b>		244.8	(147.2)
<b>Total assets less current liabilities</b>		9,033.4	8,295.6

	Note	Six months ended 30 September 2025 Unaudited £m	Year ended 31 March 2025 Audited £m
<b>Non-current liabilities</b>			
Borrowings	20	(6,122.0)	(5,366.5)
Lease liabilities	20	(33.4)	(35.7)
Derivative financial instruments	12	(1,455.2)	(1,532.4)
Deferred tax liabilities		(408.6)	(390.5)
Retirement benefit obligations	16	(39.7)	(48.9)
Provision for liabilities	14	(1.3)	(1.6)
Other non-current liabilities	15	(55.1)	(48.6)
		(8,115.3)	(7,424.2)
<b>Total liabilities</b>		(9,248.4)	(8,570.3)
<b>Net assets</b>		918.1	871.4
<b>Equity</b>			
Called-up share capital	17	37.6	37.6
Share premium account	18	769.2	769.2
Non-distributable reserve		106.5	106.8
Retained earnings		4.8	(42.2)
<b>Total equity</b>		918.1	871.4

# Condensed statement of changes in equity

For the six months ended 30 September 2025

	Called-up share capital (note 17)	Share premium (note 18)	Non- distributable reserve	Retained earnings	Total
	£m	£m	£m	£m	£m
<b>Six months ended 30 September 2025</b>					
<b>Balance at 1 April 2025</b>	<b>37.6</b>	<b>769.2</b>	<b>106.8</b>	<b>(42.2)</b>	<b>871.4</b>
Profit for the financial period	–	–	0.8	38.2	39.0
Other comprehensive income/(loss) for the period:					
Actuarial gain on retirement benefit obligation	–	–	–	10.3	10.3
Movement on deferred tax relating to retirement benefit obligations	–	–	–	(2.6)	(2.6)
<b>Total comprehensive profit for the period</b>	<b>–</b>	<b>–</b>	<b>0.8</b>	<b>45.9</b>	<b>46.7</b>
Reserves transfer*	–	–	(1.1)	1.1	–
Equity dividends (note 8)	–	–	–	–	–
<b>At 30 September 2025 (unaudited)</b>	<b>37.6</b>	<b>769.2</b>	<b>106.5</b>	<b>4.8</b>	<b>918.1</b>
<b>Six months ended 30 September 2024</b>					
<b>Balance at 1 April 2024</b>	<b>37.6</b>	<b>769.2</b>	<b>100.2</b>	<b>31.8</b>	<b>938.8</b>
Loss for the financial period	–	–	3.5	(66.6)	(63.1)
Other comprehensive income/(loss) for the period:					
Actuarial gain on retirement benefit obligation	–	–	–	16.1	16.1
Movement on deferred tax relating to retirement benefit obligations	–	–	–	(4.0)	(4.0)
<b>Total comprehensive loss for the period</b>	<b>–</b>	<b>–</b>	<b>3.5</b>	<b>(54.5)</b>	<b>(51.0)</b>
Reserves transfer*	–	–	(1.0)	1.0	–
Equity dividends (note 8)	–	–	–	–	–
<b>At 30 September 2024 (unaudited)</b>	<b>37.6</b>	<b>769.2</b>	<b>102.7</b>	<b>(21.7)</b>	<b>887.8</b>

\* The non-distributable reserve arose upon adoption of IFRS 15 and relates to deemed revenue on adoption of assets from customers and is being amortised to retained earnings in line with the depreciation of the related assets.

## Condensed statement of cash flows

For the six months ended 30 September 2025

	Note	Six months ended 30 September 2025 Unaudited £m	Six months ended 30 September 2024 Unaudited £m
Cash from operations		193.6	45.2
Tax paid		–	–
<b>Net cash from operating activities</b>	19	<b>193.6</b>	45.2
<b>Investing activities</b>			
Interest received		10.2	10.8
Purchase of property, plant and equipment		(547.4)	(465.9)
Purchase of intangible assets		(11.5)	(4.9)
Proceeds on disposal of property, plant and equipment		1.0	0.3
Acquisition of short-term investments		(398.4)	(322.3)
Maturity of short-term investments		89.6	222.3
<b>Net cash used in investing activities</b>		<b>(856.5)</b>	(559.7)
<b>Financing activities</b>			
Equity dividends paid		–	–
Preference share dividends paid		–	–
Interest paid		(101.7)	(57.9)
Net settlements on derivative financial instruments		2.1	24.3
Repayment of borrowings	20	(11.0)	(10.6)
Repayments of principal on leases	20	(3.3)	(2.3)
Proceeds of new loans		746.0	489.7
Issue costs of new loans		(4.7)	–
Costs arising from share issue		(52.8)	–
<b>Net cash generated from financing activities</b>		<b>574.6</b>	443.2
<b>Net decrease in cash and cash equivalents</b>		<b>(88.3)</b>	(71.3)
Cash and cash equivalents at beginning of the period	20	557.0	413.5
<b>Cash and cash equivalents at end of the year</b>	20	<b>468.7</b>	342.2

# Notes to the interim financial statements

For the six months ended 30 September 2025

## 1 Basis of preparation and accounting policies

The audited annual financial statements of the company are prepared in accordance with FRS 101 'Reduced Disclosure Framework' incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and the amendments to company law made by the Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015. The condensed financial statements for the six months ended 30 September 2025, which are unaudited, have been prepared in accordance with FRS 104 'Interim Financial Reporting' as adopted by the United Kingdom.

The condensed financial statements for the six months ended 30 September 2025 do not constitute statutory accounts of the company as defined in section 434 of the Companies Act 2006. They do not include all of the information required for a complete set of FRS 101 financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the company's financial position and performance since the last annual financial statements. Statutory financial statements for the year ended 31 March 2025 were approved by the Board on 15 July 2025 and the auditor's report on those accounts was not qualified and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The condensed financial statements for the six months ended 30 September 2025 should be read in conjunction with the Annual Report and Financial Statements for the year ended 31 March 2025 which have been delivered to the Registrar of Companies and can be obtained from the Company Secretary, Southern House, Yeoman Road, Worthing, BN13 3NX, or from our website.

The directors believe, after due and careful consideration, that it is appropriate to adopt the going concern basis in preparing the financial statements for the six months to 30 September 2025 as they have a reasonable expectation that the company will continue in existence for the next 12 months from the date of approval of the financial statements (the 'assessment period'), subject to the material uncertainty as disclosed below.

In their assessment, the directors have identified a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. This relates to the possibility of a future downgrade to a second sub investment grade credit rating. Depending on the circumstances and the approach of Ofwat, this might result in a breach of the company's Instrument of Appointment, which could possibly result in a consequent event of default under the terms of the company's financing arrangement.

## Background to and basis of preparation of the going concern assessment

For the six months to 30 September 2025, the company made an operating profit of £186.9 million (September 2024: profit of £3.8 million). As of 30 September 2025, the company had cash on hand of £468.7 million and cash on deposit for over three months of £308.8 million (31 March 2025: £557.0 million and nil cash on deposit respectively).

The company also had borrowings totalling £6,518.8 million at 30 September 2025 (31 March 2025: £5,771.8 million), for which the earliest repayment is £350.0 million in March 2026. Included within these borrowings there are separate fully drawn bank facilities at 30 September 2025 of £350.0 million (31 March 2025: £350.0 million).

In the annual report for the year ended 31 March 2025, the company concluded that there was a material uncertainty in respect of going concern which existed. The annual report highlighted a future downgrade to a sub investment grade rating or breach of the Post Maintenance Interest Cover Ratio (PMICR) covenant would result in an event of default under the terms of the company's financing arrangements. Further, the company required additional equity funding to finance the company through the going concern period, which had not been committed at that time as it was subject to the completion of a number of technical conditions. The failure to raise equity or debt funding, or significant operational under performance was highlighted as leading to a potential PMICR covenant breach or ratings downgrade. Since then, the conditions driving this material uncertainty have been partially addressed as follows:

- Equity funding has been received of £505.0 million and the remaining amount due of £150.0 million is unconditional following the completion of a number of technical conditions.
- The financing condition which would have meant an event of default if we failed to maintain two investment grade ratings within our financing arrangements has also since been waived and Standard & Poor's have removed the Credit Watch in respect of their credit rating.
- After moving into a new regulatory period with new revenue allowances there is a significantly higher cash headroom to our PMICR covenant.
- Finally, since the year end, we have issued over £1.5 billion in debt funding with terms ranging from five to eight years supplementing our liquidity profile.



## Notes to the interim financial information continued

For the six months ended 30 September 2025

In assessing the going concern position of the company, the directors considered the forecast cash flows over the 12 months to November 2026, the capital structure of the company and financing needs for the period. The directors have considered a base case and various sensitivities, as set out in the full going concern statement on pages 17 to 20 as well as considering the funding needs to 31 March 2027 and are satisfied that there are sufficient committed resources in place.

Based on this assessment, the company continues to adopt the going concern basis of accounting in preparing these interim financial statements.

The material accounting policies adopted in these condensed financial statements are consistent with those applied and set out in the Annual Report and Financial Statements for the year ended 31 March 2025, except as described below.

The tax charge is based on the estimated effective tax rate before exceptional items, fair value adjustments and adjustments in respect of prior periods, for the full year to 31 March 2026.

### Separate line items on face of income statement

When assessing whether an event should be presented separately on the face of the income statement management considers the nature, frequency, materiality and the facts and circumstances of each event. Management considers whether there is any precedent, and ensures consistent treatment for both favourable and unfavourable transactions.

### Adoption of new and revised accounting and financial reporting standards

There have been no new or revised accounting standards adopted in the current year that had a significant or material impact on the financial statements.

## 2 Key assumptions and significant judgments

In preparing these interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made in applying the company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 March 2025, the most material of which for the interim accounts are detailed below.

The measured income accrual is an estimation of the amount of water and wastewater unbilled at the period end and is a key source of estimation uncertainty. As at 31 March 2025, the accrual for unbilled measured income was £286.3 million. The value of household billings raised in the period to 30 September 2025 for consumption in prior years was £284.5 million, £1.8 million (0.6%) less than the accrual at 31 March 2025, with further billing for prior years still to be finalised. This difference is well within our view of acceptable tolerances for accounting estimates.

The company enters into a variety of derivative financial instruments to manage its exposure to inflation and interest rate risk in line with the company's risk management policy. The value of derivatives is highly sensitive to assumptions of inflation and interest rates, and the following scenarios indicate the impact of a 1% movement in the respective rate structures on the fair value of the derivatives portfolio as at 30 September 2025. These values have been obtained by recalculating the entire portfolio value by shifting the interest rate curve and the inflation curve by +/-1%.

Event	+1% increase £m	-1% increase £m
Interest rates	213.4	(252.1)
Inflation rates	(744.0)	623.4

Positive figures represent a reduction in the overall liability and negative figures represent an increase in the liability.

## 3 Changes in accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the company's financial statements as at and for the year ended 31 March 2025 (the policy for recognising and measuring income taxes in the interim period is described in Note 1 above).

A number of new standards and amendments are effective for periods beginning from 1 January 2025. These changes had no material impact on the company's financial statements.

## 4 Seasonality of operations and segmental analysis

The company's business is not seasonal in nature.

The directors believe that the whole of the company's activities constitute a single class of business. The company's revenue is generated wholly from within the United Kingdom. The Southern Water Board and management team review all internal management information on a single segment basis and accordingly no segmental information is provided in this interim report.

## Notes to the interim financial information continued

For the six months ended 30 September 2025

### 5 Income

An analysis of the company's income is as follows:

	Six months ended 30 September 2025 Unaudited £m	Six months ended 30 September 2024 Unaudited £m
<b>Continuing operations</b>		
Water and sewerage services:		
Household – measured	<b>476.4</b>	308.2
Household – unmeasured	<b>102.0</b>	66.5
Non-household – measured	<b>116.2</b>	73.4
Non-household – unmeasured	<b>3.3</b>	2.1
<b>Total water and sewerage services</b>	<b>697.9</b>	450.2
Bulk supplies	<b>6.5</b>	3.4
Infrastructure charge receipts	<b>5.1</b>	5.1
Trade effluent	<b>7.6</b>	5.2
Cesspools	<b>3.1</b>	3.3
New connections	<b>1.9</b>	3.0
Adoptions (see note (a) below)	<b>0.8</b>	3.5
Other services	<b>7.0</b>	8.2
<b>Total revenue before amortisation of regulatory settlement</b>	<b>729.9</b>	481.9
Amortisation of regulatory settlement (see note (b) below)	–	14.3
<b>Total revenue</b>	<b>729.9</b>	496.2
Other operating income (see note (c))	<b>0.8</b>	1.0
Profit on disposal of fixed assets	<b>1.2</b>	0.5
Interest receivable (note 6)	<b>12.2</b>	12.8
<b>Total income</b>	<b>744.1</b>	510.5

(a) Revenue associated with the adoption of assets from customers is treated as non-distributable upon recognition, and amortised to retained earnings in line with the depreciation of the related assets.

(b) As reported on page 37 the company co-operated with Ofwat in relation to its investigation into the management, operation and performance of its wastewater treatment works.

To ensure that customers were not disadvantaged as a result of these matters, the company agreed to make direct customer rebates totalling £135.5 million in forecast outturn prices (£122.9 million in 2017–18 prices) over the period 2020–25. This reflected the seriousness of the breaches identified in the investigation. These rebates were made and recorded through the water and sewerage services revenue shown above. The provision for these rebates made in the financial statements for 2018–19 was released through revenue in line with the annual profile of the rebates.

(c) Other operating income in the current year relates to the release of deferred grants and contributions relating to non-current assets from the balance sheet, as amortised in line with the useful economic life of the related assets, and rents receivable. See also Note 15.

## Notes to the interim financial information continued

For the six months ended 30 September 2025

### 6 Net finance costs

	Note	Six months ended 30 September 2025 Unaudited £m	Six months ended 30 September 2024 Unaudited £m
<b>Finance income</b>			
Deposit income on short-term bank deposits		12.2	12.8
		12.2	12.8
<b>Finance costs</b>			
Interest payable on other loans		(11.6)	(5.9)
Interest paid to SW (Finance) I Plc		(146.1)	(121.5)
Indexation of index-linked debt		(14.8)	(15.4)
Amortisation of issue costs		(0.7)	(0.7)
Amortisation of gilt lock proceeds		0.1	0.1
Amortisation of bond premium		0.1	0.1
Finance lease interest		(0.8)	(0.5)
Other finance expense		(1.1)	(1.8)
Dividends on preference shares*		(2.3)	(2.3)
		(177.2)	(147.9)
Amounts capitalised on qualifying assets		31.7	33.0
		(145.5)	(114.9)
<b>Fair value losses on derivative financial instruments</b>			
Movements on derivative financial instruments	12	(0.2)	39.0
<b>Net finance costs</b>		<b>(133.5)</b>	<b>(63.1)</b>

\* Dividends due to Class B preference shareholders of £70 per share for the period ending 30 September 2025 totalled £2.3 million (30 September 2024: £2.3 million). Of this amount £nil was paid during the year (30 September 2024: £nil) with £2.3 million accrued at 30 September 2025 (30 September 2024: £2.3 million). The cumulative balance sheet liability for unpaid preference share dividends at 30 September 2025 was £15.8 million (30 September 2024: £11.3 million).



## Notes to the interim financial information continued

For the six months ended 30 September 2025

### 7 Taxation

Taxation presented in the income statement is based on the result for the period using current rates and takes into account tax deferred due to timing differences.

	Six months ended 30 September 2025 Unaudited £m	Six months ended 30 September 2024 Unaudited £m
<b>Tax on profit/loss from continuing operations</b>		
<b>Current tax:</b>		
In respect of the current period	–	–
<b>Total current tax charge</b>	–	–
<b>Deferred tax:</b>		
Origination and reversal of timing differences	15.6	4.3
<b>Total deferred tax charge</b>	15.6	4.3
<b>Total tax charge on profit/(loss) from continuing operations</b>	15.6	4.3

In line with the requirements of FRS 104, the tax charge for the six months ended 30 September 2025 is based on the estimated effective tax rate before exceptional items, fair value gains/losses and adjustments in respect of prior periods, for the full year to 31 March 2026.

Deferred tax balances at 30 September 2025 and 30 September 2024 were calculated at 25%.

In addition to the amount recognised in the income statement, the following amounts relating to tax have been recognised in the statement of other comprehensive income:

	Six months ended 30 September 2025 Unaudited £m	Six months ended 30 September 2024 Unaudited £m
<b>Deferred tax</b>		
Arising on income and expenses recognised on other comprehensive income:		
Tax charge/(credit) on actuarial losses on defined benefit pension scheme	2.6	4.0
<b>Total deferred tax charge recognised in other comprehensive income</b>	2.6	4.0

## Notes to the interim financial information continued

For the six months ended 30 September 2025

### 8 Dividends

	Six months ended 30 September 2025 Unaudited £m	Six months ended 30 September 2024 Unaudited £m
<b>Equity dividends:</b>		
- Ordinary	–	–
	–	–

### 9 Intangible assets

	£m
<b>Cost</b>	
At 1 April 2025	<b>292.8</b>
Additions	<b>5.3</b>
<b>At 30 September 2025 (unaudited)</b>	<b>298.1</b>
<b>Accumulated amortisation</b>	
At 1 April 2025	<b>204.1</b>
Charge for the period	<b>13.5</b>
<b>At 30 September 2025 (unaudited)</b>	<b>217.6</b>
<b>Net book amount</b>	
<b>At 30 September 2025 (unaudited)</b>	<b>80.5</b>
At 31 March 2025	<b>88.7</b>

Intangible assets comprise IT software and development projects. The company does not have any internally generated intangible assets.

## Notes to the interim financial information continued

For the six months ended 30 September 2025

### 10 Property, plant and equipment

	£m
<b>Cost</b>	
At 1 April 2025	<b>12,628.0</b>
Additions in the period	<b>510.6</b>
Disposals	<b>(52.5)</b>
<b>At 30 September 2025 (unaudited)</b>	<b>13,086.1</b>
<b>Accumulated depreciation</b>	
At 1 April 2025	<b>4,426.3</b>
Charge for the period	<b>179.6</b>
Disposals	<b>(52.5)</b>
<b>At 30 September 2025 (unaudited)</b>	<b>4,553.4</b>
<b>Net book amount</b>	
<b>At 30 September 2025 (unaudited)</b>	<b>8,532.7</b>
At 31 March 2025	<b>8,201.7</b>

### 11 Investments

	30 September 2025 Unaudited £000	31 March 2025 Audited £000
<b>Shares in subsidiaries</b>		
SW (Finance) I Plc	<b>136.1</b>	136.1
SW (Finance) II Limited	<b>37.6</b>	37.6
	<b>173.7</b>	173.7

The company has the following direct investments in subsidiary undertakings at 30 September 2025:

	Registered office	Class of share capital	Activity
SW (Finance) I Plc	Southern House, Yeoman Road, Worthing	Ordinary (100%)	To raise debt finance
SW (Finance) II Limited	Southern House, Yeoman Road, Worthing	Ordinary (100%)	To raise debt finance
Southern Water Executive Pension Scheme Trustees Limited	Southern House, Yeoman Road, Worthing	Ordinary (100%)	Dormant
Southern Water Pension Trustees Limited	Southern House, Yeoman Road, Worthing	Ordinary (100%)	Dormant

## Notes to the interim financial information continued

For the six months ended 30 September 2025

### 12 Derivative financial instruments

	30 September 2025 Unaudited £m	31 March 2025 Audited £m
<b>Categories of financial instruments at fair value</b>		
<b>Derivative assets carried at fair value through profit or loss (FVTPL):</b>		
Inflation swaps	143.3	129.2
<b>Total derivative financial assets</b>	143.3	129.2
<b>Derivative liabilities carried at fair value through profit or loss (FVTPL):</b>		
Inflation swaps	(1,633.6)	(1,617.2)
<b>Total derivative financial liabilities</b>	(1,633.6)	(1,617.2)
<b>Included in:</b>		
Non-current assets	143.3	129.2
Current liabilities	(178.4)	(84.8)
Non-current liabilities	(1,455.2)	(1,532.4)
<b>Net derivative financial instruments</b>	(1,490.3)	(1,488.0)

	Six months ended 30 September 2025 Unaudited £m	Six months ended 30 September 2024 Unaudited £m
<b>Changes in value of financial instruments at fair value</b>		
Movements on derivative financial assets at FVTPL	14.1	2.3
Movements on derivative financial liabilities at FVTPL	(14.3)	36.7
<b>Total movements on derivative financial instruments at FVTPL</b>	(0.2)	39.0
Realised movements on derivative financial assets in the period	(2.1)	(24.3)
<b>Total movements on derivative financial instruments</b>	(2.3)	14.7

The fair values of derivative instruments (interest rate swaps) at the reporting date are determined using quoted prices adjusted for credit risk.

The regulatory framework, under which revenues and the Regulatory Capital Value are indexed, exposes the company to inflation risk. The company enters into inflation linked derivative financial instruments to manage its exposure to that risk.

Under interest rate swap contracts, the company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the company to mitigate inflation risk on issued fixed rate debt held.

Interest rate swaps that are due to be repaid in the next 12 months have been included in current liabilities and those not due for repayment in the next 12 months have been included in non-current assets and non-current liabilities, as shown in the table above.



## Notes to the interim financial information continued

For the six months ended 30 September 2025

### 13 Regulatory settlement liability

	30 September 2025 Unaudited £m	31 March 2025 Audited £m
At 1 April	–	28.5
Decrease in period/year (see also note 5(b))	–	(28.5)
<b>At 30 September 2025 and 31 March 2025</b>	<b>–</b>	<b>–</b>

In 2018–19 Ofwat concluded its investigation in relation to the management, operation and performance of the company's wastewater treatment works. That investigation resulted in Ofwat taking enforcement action. Ofwat issued Southern Water with a financial penalty amounting to £3.0 million as published on its website. To ensure that customers were not disadvantaged as a result of these matters, the company agreed to make direct customer rebates totalling £122.9 million in 2017–18 prices over the period 2020–25 reflecting the seriousness of the breaches identified in the investigation. These amounts were provided for in the financial statements at outturn prices and were reassessed each year to account for the impact of inflation. The provision was fully released in the year to 31 March 2025.

The final profile of release was as follows:

Year ending:	2020–21	2021–22	2022–23	2023–24	2024–25	Total
AMP6 Bill Rebate (2017–18 CPI real)	33.54	22.33	22.33	22.33	22.33	122.86
Inflation	2.21	1.60	2.70	5.05	6.19	17.75
Provision (nominal)	35.75	23.93	25.03	27.38	28.52	140.61

The company gave a number of formal undertakings to Ofwat in relation to the numerous measures that have been put in place and are being put in place to ensure that the issues identified in the investigation have ceased and cannot be repeated.

### 14 Provisions for liabilities

	Environmental obligations £m	Other £m	Total £m
At 1 April 2025	3.4	2.0	5.4
Utilised in year	–	–	–
Increase in year	–	–	–
<b>At 30 September 2025</b>	<b>3.4</b>	<b>2.0</b>	<b>5.4</b>
At 1 April 2024	4.9	–	4.9
Utilised in year	(1.5)	–	(1.5)
Increase in year	–	2.0	2.0
<b>At 31 March 2025</b>	<b>3.4</b>	<b>2.0</b>	<b>5.4</b>

	30 September 2025 Unaudited £m	31 March 2025 Audited £m
<b>Included in:</b>		
Current liabilities	<b>4.1</b>	3.8
Non-current liabilities	<b>1.3</b>	1.6
	<b>5.4</b>	5.4

The environmental provision relates to management's best estimate for the decommissioning of abandoned sites and environmental commitments made for ecology work following the South Hampshire abstraction inquiry for the period up to 2030. No reimbursement is expected.

## Notes to the interim financial information continued

For the six months ended 30 September 2025

### 14 Provisions for liabilities continued

#### Environment Agency

Prosecution proceedings have been commenced by the EA in relation to various events at Margate and Broadstairs that took place during a three-year period between 2019 and 2021. There are 13 charges covering both sites, some of which are ‘specimen’ charges and only some of which are for categorised pollution events. At a court appointment on 22 April 2025 the company pleaded guilty to the charges, although 2 of these remain in dispute. The sentencing hearing is not expected to take place until 2026. There is a very wide range of possible outcomes which reflects the general level of uncertainty at this time, the disputed levels of culpability and environmental harm (both being amongst a number of key criteria that the court uses to help determine the level of the fine), the extent of the applicability of the Sentencing Council’s Guidelines for Environmental Offences to the company which vary very widely, and their timing. Further, as the Company is a Very Large Organisation (as defined in the Sentencing Council’s Guidelines), there is a requirement for the court to examine the financial circumstances of the organisation in the round. However, the Company does recognise that there will be a probable liability associated with the matter and has therefore recognised a provision of £2.0 million reflecting an amount for possible fines and an allowance for legal costs. The court has a very broad discretion to assess how a fine is assessed and the level of fine imposed, and the provision the company has made is not intended to indicate or predict any particular level of fine. The Board will continue to review the level of provision made as more information becomes available.

### 15 Other non-current liabilities

	Grants & contributions £m	Deferred revenue £m	Total £m
Balance at 1 April 2025	37.3	11.3	48.6
Increase in year	7.4	–	7.4
Released to income statement	(0.7)	(0.2)	(0.9)
<b>Balance at 30 September 2025</b>	<b>44.0</b>	<b>11.1</b>	<b>55.1</b>

Grants and contributions relate to property, plant and equipment.

Deferred revenue of £11.1 million (31 March 2025: £11.3 million) relates to the proceeds from the sale of income rights relating to aerial masts and sites owned by SWS. The income will be credited to the income statement evenly over the life of the lease.

## Notes to the interim financial information continued

For the six months ended 30 September 2025

### 16 Retirement benefit obligations

The latest actuarial valuation of the SWPS was carried out as at 31 March 2022 using the projected unit method. The timing and quantum of future contributions in relation to the deficit have been agreed with the Trustees and Pensions Regulator. Following discussions with the Trustee, and while the latest triennial valuation is being undertaken, the company is making the deficit recovery payments previously agreed for 2025–26 by monthly instalments into a Reservoir Trust. It is anticipated that a revised deficit recovery plan will be agreed with the Trustee following completion of the valuation.

The High Court's June 2023 ruling in Virgin Media Limited -v- NTL Pension Trustees has potentially cast doubt on the validity of previous amendments made to pension scheme rules. Following a high level legal review of the amendments made to the SWPS over the period 6 April 1997 to 5 April 2016 the company does not consider there to be any changes to the scheme's governing documentation in relation to the benefit structure which could cause a material liability in light of the Virgin Media case. The disclosures are based on the assumption that all scheme documents were validly implemented.

The retirement benefit obligations shown at 30 September 2025 are based on the valuations at 31 March 2025, updated by a qualified independent actuary reflecting the movement in corporate bond yields, which impact the discount rate, and asset values. These are not formal interim valuations of the scheme assets and liabilities; however an assessment of the actuarial losses has been made and shown in the summarised statement of other comprehensive income.

The resulting net defined benefit liability has decreased in the six months to 30 September 2025. This is primarily due to an increase of 0.14% per annum in corporate bond yields, which leads to a higher discount rate and therefore a lower value of liabilities, and a decrease of 0.22% per annum in assumed future inflation. The decrease in the defined benefit obligation has been partly offset by higher than assumed short term inflationary increases and lower than assumed investment returns over the period, primarily due to the value of the Government Bonds/LDI decreasing as a result of increases in gilt and bond yields over the period.

The major assumptions used by the actuary are set out in the table below:

	Six months ended 30 September 2025  Unaudited % per annum	Year ended 31 March 2025  Audited % per annum
Price inflation (RPI)	<b>2.94</b>	3.16
Price inflation (CPI)		
– RPI less 1% per annum up to 2030	<b>1.94</b>	2.16
– Equal to RPI after 2030	<b>2.94</b>	3.16
Rate of increase of pensions in payment:		
– MIS* members only***	<b>1.94<sup>#</sup></b>	2.16 <sup>#</sup>
– Old section** members only***	<b>2.94</b>	3.16
– New section and ex-FSLP (RPI max 5%)***	<b>2.83</b>	3.00
– Post-5 April 1988 GMP (CPI max 3%)***	<b>1.73<sup>#</sup></b>	1.84 <sup>#</sup>
– All sections post-31 March 2013 service (RPI max 2.5%)***	<b>1.95</b>	2.02
Rate of increase for deferred pensions:		
– MIS* members only***	<b>1.94<sup>#</sup></b>	2.16 <sup>#</sup>
– Old section** members only***	<b>2.94</b>	3.16
– New section and ex-FSLP (RPI max 5%)***	<b>2.94</b>	3.16
– All sections post-31 March 2013 service (RPI max 2.5%)***	<b>2.50</b>	2.50
Discount rate	<b>5.80</b>	5.66

\* MIS refers to the Southern Water Mirror Image Pension Scheme. Pensions in payment and deferment for this section will be indexed in line with the Consumer Price Index.

\*\* For this section the Trustee will endeavour to meet any indexation of excess pension above the 5% per annum cap on increases that apply to other sections of the scheme.

\*\*\* Pension increase assumptions allow for caps and floors, where appropriate, based on a statistical model (the Black Scholes model).

# Rates shown apply up to 2030. Assumed equal to RPI post 2030.

## Notes to the interim financial information continued

For the six months ended 30 September 2025

### 16 Retirement benefit obligations continued

The amounts included in the statement of financial position arising from the company's obligations under the defined benefit scheme were as follows:

	30 September 2025 Unaudited £m	31 March 2025 Audited £m
Total fair value of assets	543.6	543.1
Present value of the defined benefit obligation	(583.3)	(592.0)
<b>Deficit recognised in the statement of financial position</b>	<b>(39.7)</b>	<b>(48.9)</b>

	Six months ended 30 September 2025 Unaudited £m	Six months ended 30 September 2024 Unaudited £m	Year ended 31 March 2025 Audited £m
<b>Analysis of the movement in the scheme's deficit during the period</b>			
At 1 April	(48.9)	(78.0)	(78.0)
Employer contributions	–	5.0	5.0
Financing charge	(1.1)	(1.8)	(3.6)
Actuarial gain	10.3	16.1	27.7
<b>Deficit in the scheme at end of the period</b>	<b>(39.7)</b>	<b>(58.7)</b>	<b>(48.9)</b>

### 17 Called-up share capital

	30 September 2025 Unaudited £000	31 March 2025 Audited £000
<b>Equity shares</b>		
Authorised: 46,050,000 ordinary shares of £1 each	46,050	46,050
Allotted and fully paid: ordinary shares of £1 each		
At 1 April	37,612	37,612
Issued for cash	–	–
<b>At 30 September/31 March</b>	<b>37,612</b>	<b>37,612</b>
<b>Non-equity shares</b>		
Issued: 64,665 (31 March 2025: 64,665)		
Class B preference shares of £1 each	65	65

The redeemable preference shares are presented as a liability at an amount of £64.7 million (31 March 2025: £64.7 million) including share premium of £64.6 million (31 March 2025: £64.6 million) and accordingly are excluded from called up share capital in the balance sheet.

### 18 Share premium account

	30 September 2025 Unaudited £m	31 March 2025 Audited £m
<b>Equity share premium</b>		
At 1 April	769.2	769.2
Issued for cash	–	–
<b>At 30 September/31 March</b>	<b>769.2</b>	<b>769.2</b>

## Notes to the interim financial information continued

For the six months ended 30 September 2025

### 19 Cash generated by operations

	Six months ended 30 September 2025 Unaudited £m	Six months ended 30 September 2024 Unaudited £m
<b>Continuing operations</b>		
Operating profit	<b>187.0</b>	3.8
Adjustments for:		
Fair value of sewer adoptions	<b>(0.8)</b>	(3.5)
Depreciation of property, plant and equipment	<b>179.6</b>	173.1
Amortisation of intangible assets	<b>13.5</b>	12.1
Difference between pension charge and cash contributions	–	(5.0)
Receipt of grants and contributions	<b>7.4</b>	4.2
Amortisation of grants and contributions	<b>(0.7)</b>	(0.8)
<b>Operating cash flows before movements in working capital</b>	<b>386.0</b>	183.9
Increase in inventories	<b>(3.9)</b>	(1.3)
Increase in receivables	<b>(145.2)</b>	(59.2)
Decrease in payables	<b>(43.3)</b>	(63.5)
Decrease in regulatory settlement liability	–	(14.3)
Decrease in provisions	–	(0.4)
<b>Cash generated by operations</b>	<b>193.6</b>	45.2
Tax paid		
– Group relief	–	–
– Payments made within SWSG Dividend Loop	–	–
<b>Net cash generated from operating activities</b>	<b>193.6</b>	45.2



## Notes to the interim financial information continued

For the six months ended 30 September 2025

### 20 Analysis of net debt

Analysis of net debt	Cash and cash equivalents £m	Net interest rate swaps (note 22) £m	Index-linked loans (note 20) £m	Lease liabilities (note 20, note 21) £m	Term facilities (note 20) £m	Loans from subsidiary (note 20) £m	Preference shares (note 20) £m	Net debt £m
At 1 April 2025	557.0	(1,488.0)	(19.4)	(41.7)	(363.0)	(5,283.0)	(64.7)	(6,702.8)
Cash flow changes	(88.3)	(2.1)	11.1	3.3	–	(741.5)	–	(817.5)
Fair value adjustments	–	(0.2)	(0.4)	–	–	(18.2)	–	(18.8)
Net new/disposed leases	–	–	–	(0.8)	–	–	–	(0.8)
Other non-cash changes	–	–	–	–	–	(0.5)	–	(0.5)
<b>At 30 September 2025</b>	<b>468.7</b>	<b>(1,490.3)</b>	<b>(8.7)</b>	<b>(39.2)</b>	<b>(363.0)</b>	<b>(6,043.2)</b>	<b>(64.7)</b>	<b>(7,540.4)</b>

The non-cash movement on loans from subsidiary of £0.5 million relates to the amortisation of loan issue costs, bond premiums and discounts, and gilt lock proceeds.

Unaudited balances at 30 September 2025 comprise:	Non-current assets £m	Current assets £m	Current liabilities £m	Non-current liabilities £m	Total £m
Cash and cash equivalents	–	468.7	–	–	<b>468.7</b>
Derivative financial instruments	143.3	–	(178.4)	(1,455.2)	<b>(1,490.3)</b>
Unamortised debt issuance costs	–	–	1.5	2.0	<b>3.5</b>
Gilt-lock proceeds	–	–	(0.1)	(3.9)	<b>(4.0)</b>
Borrowings due within one year	–	–	(359.0)	–	<b>(359.0)</b>
Borrowings due after one year	–	–	–	(6,120.1)	<b>(6,120.1)</b>
Lease liabilities	–	–	(5.8)	(33.4)	<b>(39.2)</b>
<b>Net debt</b>	<b>143.3</b>	<b>468.7</b>	<b>(541.8)</b>	<b>(7,610.6)</b>	<b>(7,540.4)</b>

## Notes to the interim financial information continued

For the six months ended 30 September 2025

### 20 Analysis of net debt continued

	Non-current assets £m	Current assets £m	Current liabilities £m	Non-current liabilities £m	Total £m
<b>Audited balances at 31 March 2025 comprise:</b>					
Cash and cash equivalents	–	557.0	–	–	<b>557.0</b>
Derivative financial instruments	129.2	–	–	(1,617.2)	<b>(1,488.0)</b>
Unamortised debt issuance costs	–	–	1.5	2.7	<b>4.2</b>
Gilt-lock proceeds	–	–	(0.1)	(3.9)	<b>(4.0)</b>
Borrowings due within one year	–	–	(365.0)	–	<b>(365.0)</b>
Borrowings due after one year	–	–	–	(5,365.3)	<b>(5,365.3)</b>
Leases	–	–	(6.0)	(35.7)	<b>(41.7)</b>
<b>Net debt</b>	<b>129.2</b>	<b>557.0</b>	<b>(369.6)</b>	<b>(7,019.4)</b>	<b>(6,702.8)</b>

Borrowings due within one year relate to loans from group undertakings that are repayable on demand or within 12 months of the balance sheet date.

Cash and cash equivalents (which are presented as a single class of assets on the face of the Statement of Financial Position) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

Cash on deposit with a maturity of more than three months from the date of acquisition is shown as current asset investments in the statement of financial position.

## Notes to the interim financial information continued

For the six months ended 30 September 2025

### 21 Contingent liabilities

The company has continued to assist the Environment Agency (EA) in its investigation into legacy issues relating to wastewater sampling compliance for the period 2013 to 2017. The investigation stage has now concluded, and charges against the company are in train. Court proceedings are not anticipated to conclude for several years. At this time, it is not possible to reliably predict how the company will plead to charges, nor how the court would eventually deal with the environmental sentencing criteria including culpability, harm, mitigating and aggravating factors, and the company's financial position, especially as the subject matter is unique and does not relate to categorised pollution events, so there is a lack of similar precedents. Further, as the company is a Very Large Organisation (as defined in the Sentencing Council's Guidelines), there is a requirement for the court to examine the financial circumstances of the organisation in the round. The matter would likely take several years to get to a final hearing. In the circumstances, the Board, supported by external legal advice, has concluded that it is not yet possible to make a reliable estimate for the obligations that will arise from this matter.

In November 2021 the Environment Agency and Ofwat launched an investigation into sewage treatment works belonging to all combined water and wastewater companies in England and Wales. Ofwat has opened enforcement cases into all the other combined water and wastewater companies. Southern Water is not, however, subject to that enforcement. However, we remain subject to Ofwat's ongoing investigation as they continue to review the information they have gathered and, for the time being, the company remains subject to the enforcement provisions of the undertakings signed in October 2019.

All combined water and wastewater companies remain subject to the ongoing EA investigation.

As the investigations are ongoing, and as neither the EA nor Ofwat have stated what their intentions are so far as the next steps in the investigation as it relates to the company are concerned, the Board has concluded that it is not yet possible to make a reliable estimate of any financial obligation that may arise from these investigations, nor their timing (which could be several months or years), but will keep the situation under review.

In December 2023, Southern Water Services experienced a criminal cyber attack. The incident involved the theft of data from the company's IT systems, including personal data of a small proportion of Southern Water's customers and current and former employees. The quantum and value of any claims or penalties that may arise because of this cyber incident remains uncertain. The Board has therefore concluded that it is not yet possible to make a reliable estimate for any financial obligation that may arise, nor for the timing of any outflow. As a result, no provision has been made in the financial statements.

In addition to the matters stated above, companies of the size and scale of Southern Water Services Limited are sometimes subject to civil claims, disputes and potential litigation. The directors consider that, where a liability is probable, and where it is possible to be estimated reasonably, an appropriate position has been taken in reflecting such items in these financial statements.

Contractors submit claims to the company for the estimated final cost of their works. These claims are reviewed to assess where the liability for the costs rests and the amount that will actually be settled. The expected amount is included within capital creditors and a further sum is identified as a contingent liability, representing a proportion of the difference between the contractor's claim and Southern Water Services Limited's valuation.

The company had no contingent liabilities for capital claims at the period end (31 March 2025: £nil).

## Notes to the interim financial information continued

For the six months ended 30 September 2025

### 22 Financial commitments

(a) Capital commitments are as follows:

	30 September 2025 Unaudited £m	31 March 2025 Audited £m
Contracted for but not provided for in respect of contracts placed in respect of property, plant and equipment	1,082.5	753.3
Contracted for but not provided for in respect of contracts placed in respect of intangible assets	6.6	1.2
Right to receive water from Portsmouth Water Limited <sup>1</sup>	2,563.0	2,563.0
	3,652.1	3,317.5

<sup>1</sup> In February 2021 the company entered into a contractual arrangement with Portsmouth Water Limited ('Portsmouth Water'), under which after constructing the reservoir, and Southern Water have laid a pipe, Portsmouth Water will supply Southern Water with 21 million litres of water a day from 1 April 2029 as part of the development of the Havant Thicket Reservoir in Portsmouth Water's supply area. The contract runs for the period from 2021 to 2100 and comprises fixed capacity charge payments as well as volumetric charges for the water to be supplied. The present value of the fixed contractual payments, which total £2,563.0 million over the period to 2100, using a discount rate of 6.53% (2024: 4.98%), being the nominal return on capital allowed per the PR24 (2024: PR19) Final Determination, was £427.7 million at 31 March 2025 (31 March 2024: £144.2 million). The volumetric charge will be recognised as water is supplied, from 1 April 2029.

(b) The company as lessee

	Six months ended 30 September 2025 Unaudited £m	Six months ended 30 September 2024 Unaudited £m	Year ended 31 March 2025 Audited £m
Lease payments under operating leases recognised as an expense in the year	2.0	1.2	5.5

Operating leases are charged to the income statement over the lease term and comprise short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (£5,000 or less).

### 23 Related party transactions and ultimate controlling party

The immediate parent undertaking is SWS Holdings Limited.

On 4 July 2025, Sandstone Bidco Limited acquired the issued share capital of Greensands Junior Finance Limited and Southern Water (Greensands) Financing plc from Greensands (UK) Limited, becoming the new ultimate indirect UK holding company of Southern Water, replacing Greensands Holdings Limited, the previous ultimate UK holding company.

Greensands Junior Limited is the parent undertaking and controlling party of the largest, smallest and only group to consolidate these financial statements.

Copies of the consolidated financial statements of Greensands Holdings Limited, up to 31 March 2025 may be obtained from the registered office at Southern House, Yeoman Road, Worthing, BN13 3NX, or from the Southern Water website.

Macquarie Asset Management, whose managed funds indirectly own a majority shareholding of Sandstone BidCo Limited, is considered to be a related party of the company as they have the ability to influence the financial and operating policies of both the company and the group. Other related parties comprise key management personnel.

### 24 Post balance sheet events

Subsequent to the reporting date, in October 2025, £100.0 million of new bonds were secured as part of financing continued spend on the company's turnaround plan and a further £675.0 million of new bonds were issued in November,

New equity of £505 million was also received in November, with a further £150 million of equity committed by 31 March 2026 as part of the shareholders' continued support for the company's business plan.

Along with several other water companies, SWS sought a redetermination in February 2025 by the Competition and Markets Authority (CMA) of Ofwat's final Determination of our Business Plan for the period to 2030. The CMA published the outcome of its provisional determination in October 2025 which would allow SWS an extra £180 million of revenue in the current regulatory period. This provisional determination has been subject to a period of consultation and the CMA will issue its final decision by 17 March 2026.

# Independent Review Report

to the members of Southern Water Services Limited

## Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2025 which comprises the condensed income statement, the condensed statement of other comprehensive income, the condensed statement of financial position, condensed statement of changes in equity, condensed statement of cash flows, and related notes 1 to 24.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2025 is not prepared, in all material respects, in accordance with Financial Reporting Standard 104 'Interim Financial Reporting' as adopted by the United Kingdom.

### Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the company are prepared in accordance with United Kingdom Generally Accepted Accounting Practice (including Financial Reporting Standard 101 "Reduced Disclosure Framework"). The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with Financial Reporting Standard 104 "Interim Financial Reporting".

### Material uncertainty relating to going concern

We draw attention to note 1 in the condensed set of financial statements, which indicates that a future second downgrade to a sub-investment grade credit rating could, depending on the circumstances and the approach of Ofwat, result in a breach of the Company's Instrument of Appointment and a consequential event of default under the terms of the company's financing arrangements. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Notwithstanding the material uncertainty discussed above, based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

### Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the FRS 104 'Interim Financial Reporting' as adopted by the United Kingdom.

In preparing the half-yearly financial 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.

### Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including the material uncertainty related to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

### Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.



**Deloitte LLP**

Statutory Auditor  
London, United Kingdom  
28 November 2025





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