

An aerial photograph of a large reservoir, likely a dam, with a curved concrete structure in the foreground. The water is calm and reflects the sky. The surrounding landscape includes fields, trees, and some buildings. The image is overlaid with a teal color filter.


Annual Performance Report 2022

Who we are

We supply around 160 million litres of clean water each day to over 745,000 people in parts of Surrey, Kent, West Sussex, and South London.

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 **Read more** in our Annual Report and Financial Statements 2022 at: www.seswater.co.uk

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Introduction



Paul Kerr
Chief Financial Officer

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

Our purpose is to supply our customers with the highest-quality water all day, every day, in a reliable and safe way, and to do so in a manner that reflects our long-term commitment to serve our local community and the environment.

This document

Our Annual Performance Report should be read alongside our Annual Report and Financial Statements 2022 which is available on our website.

In this document we set out how we have performed against the performance commitments that we agreed with our regulator Ofwat for the second year of our Business Plan

for 2020 to 2025 (also referred to as AMP 7). Included in this document are our regulatory accounts and regulatory tables that explain how we have performed as a business over the last 12 months.

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

Maintaining resilience

We always knew the first year of our Business Plan for 2020 to 2025 was going to be a challenging one, delivering what our customers told us was most important to them during a period dominated by the impact of COVID-19 across the world. However, we have adapted and responded well to ensure

that we could continue to supply high quality water all day, every day – life's most precious resource.

The second year of AMP 7 ended 31 March 2022 has equally been challenging with the impact of the COVID-19 pandemic still prevalent, coupled with the challenges posed by increasing household costs and the cost of living crisis. The Company's continued focus on operational and financial resilience remains strong, as does delivering for our customers during these tough times.

Paul Kerr
Chief Financial Officer



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

Embedding purpose

The Company's purpose is to supply our customers with the highest-quality water all day, every day, in a reliable and safe way, and do so in a manner that reflects our long-term commitment to serve our local community and environment. We believe it's not just our duty to supply water, but to use it as a force for local good. That's why we are doing all we can to protect, improve and enrich our natural environments, for our customers and generations to come. As a Board we continue to maintain our commitment to this and even more so as we continue to see the impact of the pandemic in the second year of AMP 7.

In the ever-changing environment that we as a business and industry operate in, we understand that our purpose must adapt to meet the evolving needs of our customers, communities, employees and wider stakeholder now and into the future. As a Board we strive to ensure that the Company's purpose is embedded in every decision that we make, as well as the decisions and actions of employees.

The desire to be a water company that delivers service excellence sits at the heart of what we do today, but as the world changes, and our regulator challenges us to think about the impact we have on the environment and our communities, we asked ourselves – is this good enough to set us up to be leaders in the future? With this question in mind, we are currently updating our overall purpose, strategic objectives and associated delivery plans in line with Ofwat's recent guidance on long-term strategic delivery plans as part of PR24 business planning. This will involve input from various stakeholders and our employers, building on the purpose work we performed in the prior year. We will publish our initial views in this area in late 2022 for wider consideration ahead of issuing our final PR24 business plan in October 2023.

Direction and aspirations

As a Board we work with executive management to ensure that our long-term strategy reflects the views of our

customers and other stakeholders.

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

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

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

Performance

Our Annual Report summarises the progress we have made during the second year of our Business Plan for 2020 to 2025. It also explains the challenges we have faced, particularly due to the continued impact of COVID-19, which has impacted many industries, the impact that the economy and high inflation has on our business and the plans we have in place to make sure that we meet all our commitments over the next four years.

Key areas of focus include:

- The Company continues to achieve upper quartile industry performance for minimising the number of customer

contacts about the taste, smell or appearance of their water

- The first water company in the UK to roll out intelligent technology across the entire water network and have now met the leakage target every year since they were first set more than 20 years ago, which is industry leading
- Laid 8.6 kilometres of new main pipe in the last year and progressed a number of key mains replacement schemes across the supply area. As a result, the Company has met its target for the number of mains repairs across the year
- Although some planned interruptions to supply are unavoidable performance this year has been within target to keep interruptions to a minimum. As a result of a resilient water network the Company has also kept unplanned outages below the target limit
- 19,994 customers are benefitting from the Company's Water Support Scheme, which provides a 50% bill reduction to eligible people. This means SES Water are already surpassing the target set for year three of this five-year Business Plan period
- Surpassed this year's target of 80 per cent for vulnerable support scheme helpfulness, with 84 per cent of people surveyed saying the extra services offered are helpful
- The launch of a new billing system, being the first company in the UK to use it. This innovation is the biggest change made to this key area of the business in more than 20 years and is one of several ways SES Water is working to improve customer service
- Retained The Wildlife Trusts' Biodiversity Benchmark Award for the second year at Elmer Treatment Works and also achieved the award at a second site – Fetcham Springs in Leatherhead. The only water company to currently hold the accreditation and expect one more site to follow by 2025
- Welcoming more than 2,500 people to the state-of-the-art education centre at Bough Beech Treatment Works in the past year, continuing to inspire future generations
- Visit 140 vulnerable customers a week, to ensure the members of

- the community who need it most benefit from our support. This includes contact over telephone and attending local food banks
- Partnered with Run Reigate as the official water provider at the event, which saved 24,000 single-use plastic bottles from being given out on the day
- A charitable fund, in partnership with the Community Foundation for Surrey, has seen the Company donate more than £27,000 to support many good causes in the community
- SES Water staff donated more than £1,500 to buy Christmas hampers for vulnerable customers
- Added to the fleet of electric vehicles, with each electric car helping to save 2-3 tonnes of CO₂e per year, as well as reducing the impact on local air quality

In addition to the summary of performance provided in this report, the Board reviews the performance of the Company on a monthly basis. To ensure the Board that such reporting represents an accurate and complete set of information on the Company's performance, the Board:

- Relies on the Company's system of internal controls as described in the Governance Report on page 75 of the Corporate governance report in our Annual Report. This internal controls systems ensuring the production of both internal and external information by management, through an effective control environment, rigorous risk assessment process, accurate information system (which produces both financial and non-financial data), documented control procedures and an overall monitoring system to assess the accuracy and completeness of internally generated data (in line with Ofwat's Company Monitoring Framework guidance).
- Reviews the results of performance against financial and non-financial objectives. This takes the form of direct review and challenge with the executive directors and senior management in face-to-face sessions with the Board, to understand both historic and forecast performance, and the initiatives in place to ensure

- the latter remain on track to meet or outperform budgeted objectives.
- Invites other employees of the Company to present at Board meetings to hear first-hand (as opposed to through executive management) data and insights into performance in certain areas. In the last year, this included sessions on implementation of our new billing system, asset management and leakage plans.
- Utilises external parties where necessary to supplement that above work to gain further assurance on the accuracy and completeness of performance data, together with requisite action points. Such assurance is obtained annually from PwC and Mott MacDonald as external auditors on financial and non-financial measures respectively.

Being a responsible business

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

Information that is published includes:

- A customer-friendly online version of our Annual Report, ensuring that our customers know and understand how we are performing and how we spend the money from their bills
- A summary of our Business Plan for 2020 to 2025, which details our five pledges, our 26 performance commitments and the activity we will undertake to deliver them, including the part that our customers can play
- A summary of how we manage our water resources, ensuring that we are able to meet the demands of a growing population over the next 100 years and the impact climate change has on our business
- 'Keeping it clear' – an annual easily digestible summary explaining our finances, where money is spent, how bills are set, our simple UK-based ownership structure and the role of the Board

- Our annual gender pay gap report and a summary of what we are doing to close the gap
- Minutes of key governance meetings, including the Board and the Customer and Environmental Scrutiny Panels, available on our website
- Key policies, like the dividends we pay to our shareholders and how we pay our executive team, available on our website and within our Annual Report. Further information is available below on how the Board continues to meet Ofwat's leadership, transparency and governance principles and how the Company is meeting its legal, statutory and regulatory obligations

Governance

As a Board, we follow the UK Corporate Governance Code, with some small exceptions that are set out in the Compliance section of our annual report, and the Ofwat Principles on Board Leadership, Transparency and Governance. You can find full details about our structure, compliance, and corporate governance arrangements in our Annual Report on pages 70 to 85.

During the year we have seen some changes to our Board, including Jeremy Pelczer, whose third and final term as our Chair ended on 23 March 2022, being replaced by Dave Shemmans (who over the last seven years has been a non-executive director to the company). In addition the change in chair we also saw the appointment of Jon Woods, one of the Company's current non-executive directors, as Chair of the Remuneration Committee, and appointment of Rebecca Wiles as a new non-executive director of SES Water.

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

Leadership, transparency and governance

Meeting Ofwat's 2019 objectives

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

Ofwat objective and underlying provisions	Board's view
<p>Purpose, values and culture The regulated Company Board establishes the Company's purpose, strategy and values, and is satisfied that these and its culture reflect the needs of all those it serves.</p>	
<p>The Board develops and promotes the Company's purpose in consultation with a wide range of stakeholders and reflecting its role as a provider of an essential public services.</p>	<p>We have noted at the start of this annual statement the work that the Board continues to ensure the Company's purpose, strategy and values are clearly established and adhered to throughout the Company. This focus on purpose and reflection of the role of the Board in defining such matters has continued to be considered at all Board meetings, and in particular at our separate Board Strategy Day discussions. In 2021/22, we have extended the development of these matters in line with early Ofwat guidance on long term delivery strategies ahead of publication of the PR24 methodology and have engaged directly with senior management and the Board.</p>
<p>The Board makes sure that the Company's strategy, values and cultures are consistent with its purposes.</p>	
<p>The Board monitors and assesses values and culture to satisfy itself that behaviours throughout the business is aligned with the Company's purpose. Where it finds mis-alignment, it takes corrective actions.</p>	
<p>Companies' annual reporting explains the Board's activities and any corrective actions taken. It also includes an annual statement from the Board focusing on how the Company has set its aspirations and performed for all those it serves.</p>	<p>As noted in both our Corporate Governance report (in the Annual Report and Financial Statements 2022), and within this statement, the Board's activities are clearly explained, and we have already included this signed statement to explain the Board's focus on the Company's vision, purposes, aspirations and strategy.</p>

Ofwat objective and underlying provisions	Board's view
<p>Standalone regulated Company The regulated Company has an effective board with full responsibility for all aspects of the regulated Company's business for the long term.</p>	
<p>The regulated Company sets out any matters that are reserved for shareholders or parent companies (where applicable) and explains how these are consistent with the Board of the regulated Company having full responsibility for all aspects of the regulated Company's business; including the freedom to set, and accountability for, all aspects of the regulated Company strategy.</p>	<p>Similar to prior year, we have included expanded disclosures in this year's Annual Report and Financial Statements 2022 to be transparent about matters reserved for the Board and how the Board of the regulated Company has full responsibility for the regulated Company's business. No matters are reserved solely for shareholders or other holding companies.</p>
<p>Board committees, including but not limited to Audit, Remuneration and Nomination Committees, report into the Board of the regulated Company, with final decisions made at the level of the regulated Company.</p>	<p>As noted in the Corporate Governance report, all committees report into the Board of the regulated entity and final decisions are made at the regulated Company level.</p>
<p>The board of the regulated Company is fully focused on the activities of the regulated Company; takes action to identify and manage conflicts of interest, including those resulting from significant shareholding, and ensure that the influence of third parties does not compromise or override independent judgement.</p>	<p>Our Corporate Governance report discusses in detail the focus of the regulatory Company Board, and how Board matters are discussed and reviewed utilising the skills and objectivity of the entire Board, with no areas of judgement being compromised by the influence of third parties. This includes the Board's monitoring of directors' interests and potential transactions with associated companies.</p>

Ofwat objective and underlying provisions

Board's view

Board leadership and transparency

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

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

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

An explanation of group structure.

Included on page 5 of the Annual Report and Financial Statements 2022.

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

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

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

This is contained within the 'Principal and emerging risks' section of the Annual Report and Financial Statement 2022.

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

We have included these matters within our current Corporate Governance and Committee reports in the Annual Report and Financial Statements 2022.

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

These matters relating to executive pay policy are included within our current Remuneration Committee Report in the Annual Report and Financial Statements 2022. An updated Remuneration policy is presented this year, based on feedback received from Ofwat recently with respect to weighting of environmental responsibilities within executive pay.

Ofwat objective and underlying provisions

Board's view

Board structure and effectiveness

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

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

As noted in our Corporate Governance and Nomination Committee reports in the Annual Report and Financial Statements 2022, we believe that the Board and its Committees have the appropriate balance of skills, experience and independence, together with knowledge of the Company and customer expectations.

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

We adhere to this provision.

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

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

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

As described in our Corporate Governance report within the Annual Report and Financial Statements 2022, an evaluation of Board effectiveness is performed every year, alternating between an internal and external evaluation which we believe is appropriate to a Company of our size. In 2021/22, an internal effectiveness review was conducted, the results of which are documented in the Annual Report and Financial Statements 2022.

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

We adhere to a rigorous appointment procedure for new directors as noted in our Nomination Committee report within the Annual Report and Financial Statements 2022.

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

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

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

We adhere to this provision.

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

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

Areas for improvement and focus	Board's view
Purpose, values and culture	
Focus on the impact of purpose and of it being embedded/aligned through the company's strategy, values and culture.	With the engagement of a third party, and the arrival of a new CEO in early 2020, the Board has renewed its focus on purpose and embedding this into the Company's culture as noted at the start of the annual statement.
Standalone regulated company	
Continue to be clear on matters reserved for the Board, and clearly explain how the regulated company board has full responsibility for all aspect of its business for the long-term.	The Board has formally reviewed these reserved matters again in 2021/22 and continues to be fully responsible for all regulated company matters as documented in the Corporate Governance report in the Annual Report and Financial Statements 2022.
Be clear on the policies in place to identify conflicts of interest for individual board members, and consider what action may be needed should a situation arise where there could be a conflict with interest outside of the regulated company.	While no conflicts of interest have been noted in 2021/22, the Corporate Governance report within the Annual Report and Financial Statements 2022 continues to document the policy for conflicts of interest for individual board members.
Board leadership and transparency	
Specifically, for SESW, update the LTIP reporting to be clear on the linkage to delivery for customers. Be clear about how the metrics chosen incentivise stretching performance delivery for customers.	This linkage between LTIP incentivisation and customer delivery was strengthened in the prior year executive pay policy as documented in the Remuneration Committee report within the Annual Report and Financial Statements 2022.
Ensure there is an adequate explanation as to how the dividend policy was actually used in decision making on whether or not to declare dividends, and for dividends declared, how the amount was decided.	An expanded explanation on application of our dividends policy for 2021/22 is provided in the Directors' report within the Annual Report and Financial Statements 2022.
Ensure transparency of group structure, ensuring it is easy to find structure diagrams on the website. Structure diagrams also need to address the "why" of structures as well as the "what" of structures.	Our group structure continues to remain straightforward as documented on page 5 of the Annual Report and Financial Statements 2022 APR, with an explanation provided of the "why" for key entities in the structure.
Board structure and effectiveness	
Continue to be clear on independence of Board members, including the chair, especially where parent and regulated companies Board membership overlaps.	The Corporate Governance report within the Annual Report and Financial Statements 2022 continues to document the status of the independence of our directors, including those involved on the Board of our main group entity, East Surrey Holdings Limited.
Continue with external board effectiveness exercises, revisiting recommendations from prior evaluation and actions taken.	We continue to utilise a third party every 2 years to perform an external board effectiveness review, as documented in the Corporate Governance report within the Annual Report and Financial Statements 2022, with prior year recommendations also revisited.
Consider diversity in the broadest sense when making decisions relating to the membership of boards/committees, ensuring the company is equipped to make decisions that meet the needs of all employees.	We have published an updated equality, diversity and inclusion policy in 2021/22, after review and consideration by the Board, which will enable further advance of diversity throughout the business.

Approved by the Board of Directors and signed on 15 July 2022:

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

Statements of the directors to the Water Regulation Authority

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

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

Certification

The directors certify that in their opinion:

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

Evidence considered by the Board

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

Financial resources and facilities

- The budget and capital expenditure programme for 2022/23 approved by the Board
- The assessment of financial resilience provided by management as part

of the going concern assessment conducted for issuance of the Annual Report and Financial Statement 2022.

This included:

- An assessment of the Company's current and projected cash positions
 - Available borrowings through the £75m revolving credit facility (RCF) (available to the Company until 2024) and the £1 million bank overdraft
 - Compliance with the financial covenant ratios associated with the Company's long-dated bond
 - Available headroom under the long-dated bond covenants to access additional debt as required
 - The stress-testing of the above headroom, including the effects of the COVID-19 pandemic and inflation increases on the company and customers
- The Company's performance against the first two years of the PR19 Final Determination
 - The continued investment grade quality of the Company's credit
 - The long-term viability statement, together with underlying assumptions, as detailed in the Annual Report and Financial Statements 2022

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

Management resources

- The reviews, conducted through the Nomination Committee, of the current level of senior management performance, skills and experience and the CEO's views of the development required to enhance this skill set
- A review of the Company's recruitment policy to allow consideration of recruitment and staff engagement

- The annual review presented by the CEO to the Nomination
- Committee of succession planning for key management and staff
- Reports, via the monthly Board performance report, of various people matters, including staff turnover, training courses, online learning, induction programmes and learning and development being provided to the staff
- Review and approval of the Company's Code of conduct and Ethics, which encompasses the Company's views and processes for ensuring diversity
- Reports, via the monthly Board performance report, on key projects and associated resource levels to deliver such projects. This includes separate reporting on key business-wide systems and capital projects
- Ongoing review of the composition and independence of the Board, to ensure management is fully supported throughout the year

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

Systems of planning and internal control

The formal risk management and governance procedures as reviewed by the Audit Committee, include:

- A review of the Company's risk register and mitigating actions every six months
- The overall risk management framework and oversight processes as detailed in the Company's Compliance Code
- Review and approval for the 2022/23 internal audit programme provided by management, and review of actions arising and mitigation next steps
- External control reports provided by PwC, including reports on information technology general controls
- Management's continuity plans, including water resource plans and system-based resilience plans

Statements of the directors to the Water Regulation Authority continued

- The Company's Code of conduct and Ethics, which details policies to prevent fraud and other unethical behaviour and the Company's whistle-blowing policy

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

Rights and resources other than financial resources

- Regular reports to the Audit Committee on the status of the Company's informational and operational technology
- Reports - via the monthly Board performance report - on access to water resources, status of the Company's network and treatment facilities, level of proactive and reactive maintenance levels and level of treatment work outages
- Status of the Company's insurance renewals and coverage levels

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

Contracting

- Reports via the monthly Board performance reports on the status of key contracts, in particular contracts with key suppliers associated with the capital programme
- Reports by management on adherence between the Appointee and all associated companies on compliance with licence requirements on standards, including consideration of recent changes to the non-household market
- Detailed reports from management, via the monthly Board performance report, on the status of intercompany balances and transactions between the Appointee and any associated company

- Ensuring - from review of the monthly financial performance reports - compliance with licence provision on cross-subsidies between the Appointee and any associated company (Condition P)
- Confirming - via the regular Board meeting with executive management present - that no guarantees or cross-default obligations are given without Ofwat's written consent

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

Material issues or circumstances

- No other matters or evidence were required to be considered with respect to the Company other than detailed above

In the production of this certificate of adequacy, the Board considered the information and evidence collected over the course of the year as detailed above, and duly discussed whether such evidence was sufficient to provide the forward-looking basis for this certificate. The Board considered the completeness and quality of such evidence, the balance between external and internal level of evidence and the view of all executive and non-executive directors in making their decisions to provide this certificate.

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

(2) Statement on sufficiency of non-financial resources

The directors confirm on page 108 of the directors' report in the Annual Report and Financial Statements 2022 that as at 31 March 2022 the Company was in compliance with paragraph 14 of Condition P of its Instrument of Appointment, ensuring that the Company has sufficient rights and assets available to enable a special administrator to run the business.

(3) Risk and compliance statement

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

The directors confirm that in their opinion the Company:

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

In preparing the statements above the directors note that:

Statutory, licence and regulatory obligations

- The Company has a Compliance Code in place (available on its website and distributed to all employees) which is reviewed annually and an internal audit is carried out to confirm compliance, including compliance with the requirement to trade with associates at arm's length
- Assurance has been provided that the Company has available to it sufficient financial and non-financial resources, as per the requirement in the Company's Instrument of Appointment

- The Company's regulatory accounts confirm that the Company maintains an investment grade credit rating
- Required regulatory disclosures have been made below
- The independent auditors' report from PricewaterhouseCoopers LLP (available on pages 113 to 118 of the Annual Report and Financial Statements 2022) confirms that the Strategic and directors' reports, included within this Annual Report and Financial Statement 2022, have been prepared in accordance with the Companies Act 2006 and the information contained within them is consistent with the financial statements.

Expectations of customers

- The Board receives reports on feedback from customers. The Company has talked directly to customers about their views on Company performance both now and what they want to see in the future through our online community, a regular telephone and online survey, targeted engagement for our Business Plan finalisation, through our education activity and through daily contact with customers both over the five-year plan built around the five aims described in our performance report which reflect customers' expectations to maintain or improve levels of service
- Over the year most of our commitments under the five aims in our Business Plan have been met as summarised on pages 20 to 25 in the Annual Report and Financial Statements 2022

- The Board meets regularly to review Company performance and receives monthly performance information, enabling it to challenge the executive team
- The Company has a Customer Scrutiny Panel whose duties include advising, scrutinising and challenging the Company in its development of plans for meeting their customers' priorities, including encouraging the Company to consider the environment and wider society in a customer context and the panel's activity over the year is reported on pages 56 and 57 in the Annual Report and Financial Statements 2022
- The Company's technical advisor, Mott MacDonald, has provided a statement, available on the Company's website, on the Company's compliance with its requirements on reporting of performance and cost assessment data in the Annual Report and Financial Statements 2022

Processes and systems of control

- The Company operates a system of internal control, described on page 80 of the Corporate governance report in the Annual Report and Financial Statements 2022, that meets the requirements of the UK Corporate Governance Code
- Reporting processes are accredited to the International Standard ISO 9001:2015 Quality Management Systems
- The Company's voluntary monitoring framework is available on the Company's website

Identifying, managing and mitigating risks

- Risk management is embedded in the Company culture and the monitoring and control systems in place include a twice-yearly review of risks and mitigating actions by the Audit Committee

- Consideration of the financial and operational impact of a range of severe but plausible risks is carried out by the Audit Committee with the current risks and mitigations described on pages 91 and 92 of the Strategic report of the Annual Report and Financial Statements 2022
- The Board is aware of its obligation to highlight any material emerging or existing risks to Ofwat in a timely manner
- The financial and operational viability of the Company out to 2032 has been considered and is described in the long-term viability statement on pages 83 to 85 in the Corporate governance report of the Annual Report and Financial Statement 2022

(4) Additional regulatory disclosures

The remuneration policy of directors and how this was applied in the year to 31 March 2022 is explained on pages 94 to 107 in the Remuneration Committee report of the Annual Report and Financial Statements 2022.

Each director confirms on page 111 in the directors' report that the requirement in relation to provision of information to the Company's auditor has been met.

The dividend policy for the appointed business and how it has been applied is outlined in the directors' report on page 109 of the Annual Report and Financial Statement 2022.

The tax strategy for the appointed business is the same as the strategy outlined for the Company on page 82 in the Corporate governance report in the Annual Report and Financial Statements 2022.

The long-term viability statement is included in the Annual Report's Corporate governance report on pages 83 to 85.

Approved by the Board of Directors on 15 July 2022:



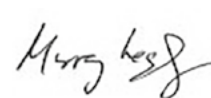
Dave Shemmans
Chair



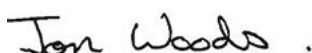
Ian Cain
Chief Executive Officer



Paul Kerr
Chief Financial Officer



Murray Legg
Senior Independent Director



Jon Woods
Non-executive director



Kenji Oida
Non-executive director



Ken Kageyama
Non-executive director

Statement of directors' responsibilities for regulatory information

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

This additionally requires the directors to:

- a) Confirm that, in their opinion, the Company has sufficient financial resources and facilities, management resources and systems of planning and internal controls
- b) Confirm that, in their opinion, the Company has contracts with any associated company with the necessary provisions and requirements concerning the standard of service to be supplied to ensure compliance with the Company's obligations as a water undertaker. The directors have issued a certificate under Condition P of the Licence - see pages 7 to 9
- c) Report to Ofwat changes in the Company's activities, which may be material in relation to the Company's ability to finance its regulated activities. The directors hereby confirm that there were no changes in the Company's activities, which may be material in relation to the Company's ability to finance its regulated activities, during the year ended 31 March 2022

- d) Undertake transactions entered into by the appointed business, with or for the benefit of associated companies or other businesses or activities of the appointed business, at arm's length. This has been confirmed within Information in respect of transactions with any other business or activity of the appointee or any associated company' on page 58
- e) Keep proper accounting records, which comply with Condition F. The directors of the Company hereby confirm that the Company has kept proper accounting records, which comply with Condition F

These responsibilities are additional to those already set out in the Sutton and East Surrey Water Plc statutory financial statements that can be viewed in the Annual Report and Financial Statements 2022.

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

In the opinion of the directors, the Company was in compliance with paragraph 14 of Condition P at the end of the financial year and this has been confirmed in the certificate on pages 11 to 13 of the Annual Performance Report.

Disclosure of information to the auditor

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

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

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

Approved by the Board of Directors on 15 July 2022:



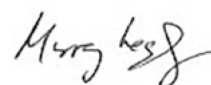
Dave Shemmans
Chair



Ian Cain
Chief Executive Officer



Paul Kerr
Chief Financial Officer



Murray Legg
Senior Independent Director

Board Statement on accuracy and completeness of data and information for the year-ended 31 March 2022

The SES Water Board is accountable for quality of the information provided on the Company's performance to various stakeholders and appreciate the criticality of transparency on how businesses such as SES Water, which deliver essential public services, are run. The Board has taken seriously the recent recommendations by Ofwat contained within their Board Leadership, Transparency and Governance objectives, and have continued to publish additional information to enhance transparency of information within the Annual Performance Report, supplemented by the Company's "Keeping it Clear" document published each December. In addition, a separate Assurance Framework has been published on our website for 2022 which provides a comprehensive summary of all assurance work performed in the year.

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

The Board considers that the Company has applied its processes and internal systems of control in a manner that has enabled it, to the extent that it is able to do so from the facts and matters available to it, to identify material departures from the obligations within this document. The Board does not consider that any material departures have been identified in the year-end 31 March 2022.

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

An effective system of internal controls

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

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

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

- There is an ongoing process for identifying, evaluating, and managing the principal and emerging risks faced by the Company
- The systems have been in place for 2021-22 and up to date of approval of the Annual Report and accounts
- The systems are regularly reviewed by the Board - The systems meet the FRC 2014 guidance on these matters

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

1. Control environment

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

2. Risk management

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

Board Statement on accuracy and completeness of data and information for the year-ended 31 March 2022 continued

3. Information systems

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

4. Control procedures

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

5. Monitoring system

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

The Committee has also considered the need for a dedicated internal audit function in the light of the development of the Quality and Compliance function since its establishment in 2014. Having agreed a programme of internal audit work to be undertaken by a combination of internal and external resources, the Committee has concluded that a separate internal audit function continues not to be needed at the present time. The monitoring and control arrangements operated in the year are considered good based on the internal assurance received from the above audit programme, with enhancements planned to increase the capability of internal audit to review financial controls within the business. The external auditor has been informed of the Company's internal audit programme and tailored its external audit work as needed.

Identification of any data or information compliance issues

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

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

The directors confirm that in their opinion the Company:

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

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

- The Company has a Compliance Code in place (available on its website and distributed to all employees) which is reviewed annually and an internal audit is carried out to confirm compliance, including compliance with the requirement to trade with associates at arm's length
- Assurance has been provided that the Company has available to it sufficient financial and nonfinancial resources, as per the requirement in the Company's Instrument of Appointment
- The Company's regulatory accounts confirm that the Company maintains an investment grade credit rating
- Required regulatory disclosures have been made
- The independent auditors' report from PricewaterhouseCoopers LLP confirms that the Strategic and directors' reports, included within our Annual Report 2022 and financial statements, have been prepared in accordance with the Companies Act 2006 and the information contained within them is consistent with the financial statements

Use of external assurance

The Board acknowledge and need for external assurance on the Company's data and information, in addition to the assurance provided by the Company's internal assurance measures noted above. In terms of the external assurance for the year-ended 31 March 2022:

1. Results of assurance work

The Board engaged Mott MacDonald to provide assurance over our key non-financial metrics, primarily the 2021-22 performance commitment outcomes.

The year-end assurance letter from Motts is attached on our website and provides a clean opinion on our reported results of our performance commitments for 2021-22.

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

- The Table group 3 performance commitment data have been completed appropriately.
- The technical data in tables 4A, 4R, 5A, 6A, 6B, 6C, and 6D has been compiled appropriately.
- Any errors or omissions noted by Motts as result of their audit were corrected
- Recommendations were made for the performance commitments that continue improvement on aspects of data flow, calculations and sign-off

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

PwC were engaged to provide assurance over the 2021-22 financial statements and Tables 1 and 2 of the regulatory accounts. PwC's regulatory audit opinion is contained in the APR as published on the Company's website. Both of these opinions were unqualified opinions on the Company's reported results, with the opinion over the financial statements giving specific details of area of focus for the audit during the year.

3. Assurance on the Company's certificate of adequacy

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

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

Throughout our year-end work, we have also utilised external experts where required to ensure the appropriate data has been included in the year-end financial and regulatory reporting, including LCP for actuarial data and CEPA for regulatory reconciliation

Signed on behalf of the Board on 15 July 2022:

Dave Shemmans
Chair

Ian Cain
Chief Executive Officer

Paul Kerr
Chief Financial Officer

Murray Legg
Senior Independent Director

Jon Woods
Non-executive director

Kenji Oida
Non-executive director

Ken Kageyama
Non-executive director

Independent Auditors' report to the Water Services Regulation Authority (the WSRA) and the Directors of Sutton and East Surrey Water Plc

Opinion

We have audited the sections of/tables within Sutton and East Surrey Water Plc's Annual Performance Report for the year ended 31 March 2022 ("the Regulatory Accounting Statements") which comprise:

- the regulatory financial reporting tables comprising the income statement (table 1A), the statement of comprehensive income (table 1B), the statement of financial position (table 1C), the statement of cash flows (table 1D), the net debt analysis (table 1E), the financial flows (table 1F) and the related notes; and
- the regulatory price review and other segmental reporting tables comprising the segmental income statement (table 2A), the totex analysis for wholesale water and wastewater (table 2B), the operating cost analysis for retail (table 2C), the historical cost analysis of fixed assets for wholesale and retail (table 2D), the analysis of grants and contributions and land sales for wholesale (table 2E), the household water revenues by customer type (table 2F), the non-household water revenues by customer type (table 2G), the non-household wastewater revenues by customer type (table 2H), the revenue analysis & wholesale control reconciliation (table 2I), the infrastructure network reinforcement costs (table 2J), the infrastructure charges reconciliation (table 2K), the analysis of land sales (table 2L), the revenue reconciliation for wholesale (table 2M), residential retail social tariffs (table 2N) and historical cost analysis of intangible assets (table 2O) and the related notes.

We have not audited the Outcome performance tables (3A to 3I) and the additional regulatory information in tables 4A to 4U, 5A to 5B, 6A to 6F, 7A to 7F, 8A to 8D, 9A, 10A to 10E and 11A.

In our opinion, Sutton and East Surrey Water Plc's Regulatory Accounting Statements have been prepared, in all material respects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA (RAG 1.09, RAG 2.09, RAG 3.13, RAG 4.10 and RAG 5.07) and the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.13, appendix 2), set out on page 19.

Basis for opinion

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

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

Emphasis of matter – special purpose basis of preparation

We draw attention to the fact that the Regulatory Accounting Statements have been prepared in accordance with a special purpose framework, Condition F, the Regulatory Accounting Guidelines, the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.13, appendix 2) set out in the statement of accounting policies and under the historical cost convention. The nature, form and content of the Regulatory Accounting Statements are determined by the WSRA. As a result, the Regulatory Accounting Statements may not be suitable for another purpose. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA's purposes. Accordingly, we make no such assessment. In addition, we are not required to assess whether the methods of cost allocation set out in the accounting methodology statement are appropriate to the circumstances of the Company or whether they meet the requirements of the WSRA.

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

The Regulatory Accounting Statements on pages 18 to 58 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from UK GAAP. A summary of the effect of these departures in the Company's statutory financial statements is included in the tables within section 1.

Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

- Testing the mathematical integrity of the cash flow forecasts and reconciling these to Board approved budgets;
- Identifying the key assumptions applied, which we determined to be revenue, costs and capital expenditure. We evaluated these key assumptions by:
 - Revenue: Considering the feasibility of forecasted revenue to historical performance and allowed revenue under AMP 7;
 - Costs: Comparing the forecasted costs to historical actuals and made enquiries to understand the driver of any significant variations;
 - Capital expenditure: Considering the capital expenditure forecast by reference to the different projects in Management's plan, and also compared the forecast to prior period expenditure;
 - Downside scenario: Assessing the severe but plausible downside assumptions to stress test the model and considering the impact on the liquidity headroom and forecast covenant compliance;
 - Mitigating actions: Assessing the reasonableness of Management's planned or potential mitigating actions to reduce capital expenditure or other cash outflows based on historical execution and feasibility.
- Reviewing the debt agreements to confirm the terms and conditions, including the nature of and calculation of the covenants, and checking that the covenants were consistent with those used in Management's going concern assessment;
- Agreeing all borrowings as at 31 March 2022 to third-party confirmations and considering the terms and conditions and amounts available from committed facilities;
- Testing the mathematical accuracy of the covenant calculations based on the Company's forecast. This included checking that the covenant compliance remained throughout the assessment period after considering

the mitigating actions under Management's control.

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

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

Other information

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

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

We have nothing to report based on these responsibilities.

Responsibilities of the Directors for the Annual Performance Report

As explained more fully in the Statement of Directors' Responsibilities set out on page 10, the directors are responsible for the preparation of the Annual Performance Report in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA and the Company's accounting policies (including the Company's published

accounting methodology statement(s), as defined in RAG 3.13, appendix 2).

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

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

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

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

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

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

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

Independent Auditors' report to the Water Services Regulation Authority (the WSRA) and the Directors of Sutton and East Surrey Water Plc continued

- had a direct effect on the determination of material amounts and disclosures in the Regulatory Accounting Statements. These included Regulatory Accounting Guidelines as issued by the WRSAs, Water Industry Act 1991, UK Companies Act 2006, and UK corporation tax legislation; and
- do not have a direct effect on the Regulatory Accounting Statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's operating licence, regulatory solvency requirements and environmental regulations.

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

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

- Enquiries of Management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation of Management's control to prevent and detect irregularities;
- Challenging assumptions and judgements made by Management in their significant accounting estimates and judgements, in particular in relation to the recoverability of trade debtors and accuracy of the measured income accrual;
- Identifying and testing journal entries, in particular any journal entries with unusual combination of account codes

where credits have gone to revenue, journals posted by certain individuals (for example senior management or directors who we wouldn't expect to be posting journals), or journals with certain key unusual words;

- Incorporating elements of unpredictability into the audit procedures performed.

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

Use of this report

This report is made, on terms that have been agreed, solely to the Company and the WSRA in order to meet the requirements of Condition F of the Instrument of Appointment granted by the Secretary of State for the Environment to the Company as a water and sewage undertaker under the Water Industry Act 1991 ("Condition F"). Our audit work has been undertaken so that we might state to the Company and the WSRA those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under Condition F to procure such a report and (b) to facilitate the carrying out by the WSRA of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the WSRA, for our audit work, for this report or for the opinions we have formed.

Our opinion on the Regulatory Accounting Statements is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2022 on which we reported on 08 July 2022, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely

to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

Chartered Accountants
and Statutory Auditors

7 More London Riverside
London
SE1 2RT
United Kingdom

15 July 2022

Regulatory accounts 2022

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

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

The regulatory accounts should be read in conjunction with the statutory Annual Report and Financial Statements for the year ended 31 March 2022.

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

Definitions of appointed and non-appointed business

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

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

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

For the year ended 31 March 2022 there are no fundamental changes in the RAGs in terms of accounting principles for regulatory purposes. However, as this is the second year of the 5-year price control cycle, the reporting format has been expanded on to include tables showing data over the current price control period, as well as the year to date, where applicable and required under the RAGs.

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

Production of regulatory accounts

All costs are extracted directly from the company’s accounting systems, with appropriate activity codes already assigned for direct costs. Indirect costs are allocated between Wholesale (Water Resources and Network+), and Retail (Household and Non Household) using appropriate activity drivers as required by Regulatory Accounting Guidelines RAG2, RAG3, RAG4 and normal accounting practice. Our ‘Accounting Separation Methodology Statement’ is published on the Company’s website.

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

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

1A – Income statement

for the 12 months ended 31 March 2022

	Statutory £000	Adjustments		Total adjustments £000	Total appointed activities £000
		Differences between statutory and RAG definitions £000	Non- appointed £000		
1A.1 Revenue	62,953	(3,006)	(2,300)	(5,306)	57,647
1A.2 Operating costs	(56,158)	(88)	1,108	1,020	(55,138)
1A.3 Other operating income	3,358	-	-	-	3,358
1A.4 Operating profit	10,153	(3,094)	(1,192)	(4,286)	5,867
1A.5 Other income	-	3,649	-	3,649	3,649
1A.6 Interest income	368	-	(2)	(2)	366
1A.7 Interest expense	(15,923)	-	-	-	(15,923)
1A.8 Other interest expense	-	-	-	-	-
1A.9 Profit before tax and fair value movements	(5,402)	555	(1,194)	(639)	(6,041)
1A.10 Fair value gains/(losses) on financial instruments	-	-	-	-	-
1A.11 Profit before tax	(5,402)	555	(1,194)	(639)	(6,041)
1A.12 UK Corporation tax	64	(105)	227	122	186
1A.13 Deferred tax	(11,999)	-	-	-	(11,999)
1A.14 Profit for the year	(17,337)	450	(967)	(517)	(17,854)
1A.15 Dividends	(3,517)	-	600	600	(2,917)

The differences between statutory and Regulatory Accounting Guidelines (RAG's) are provided in the notes on page 19.

Tax analysis					
1A.16 Current year	-	105	(227)	(122)	(122)
1A.17 Adjustments in respect of prior years	(64)	-	-	-	(64)
1A.18 UK Corporation tax	(64)	105	(227)	(122)	(186)
Analysis of non-appointed revenue					
Southern Water – Conveyancing Income	-	-	(13)	-	-
Garage Income	-	-	(220)	-	-
Thames Water – Commission & Conveyancing Income	-	-	(2,030)	-	-
Rental Income	-	-	(37)	-	-
1A.22 Total	-	-	(2,300)	-	-

A reconciliation of actual tax payable to forecast tax in the PR19 Final Determination is provided in the notes on page 20.

Reconciliation of effective tax rate for appointed activities

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

The differences are explained below

	2022 £000
Profit before tax	(6,041)
Tax charge using the UK corporation tax rate of 19%	(1,148)
Effects of:	
Capital allowances for the year exceeding depreciation	1,161
Insurance proceeds	(374)
Allowable depreciation on deferred revenue expenditure	(97)
Profit on disposal of fixed assets	(243)
Defined benefit pension adjustment	(31)
Reliefs claimed	610
Tax credit for current year	(122)
Adjustments in respect of prior years	64
Total current tax refund	(58)

1. Accounting policies

The accounting policies adopted for these regulatory accounts are the same as those set in the published statutory accounts on our website, except where a different treatment is required in order to comply with Regulatory Accounting Guidelines (RAGs) published by the Water Services Regulation Authority. Full statutory accounts can be found at (<https://ar2022.seswater.co.uk/>).

Cost allocation to individual price controls

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

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

All costs are extracted directly from the company's accounting systems, with appropriate activity codes already assigned for direct costs. Indirect costs are allocated between Wholesale (Water Resources and Network+), and Retail (Household and Non Household) using appropriate activity drivers as required by Regulatory Accounting Guidelines RAG2, RAG3, RAG4 and normal accounting practice. Our 'Accounting Separation Methodology Statement' is published on the Company's website.

2. Explanation of differences between statutory and RAG definitions

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

Note	Capital contributions ^(a)	STOR revenue ^(b)	Meter reading income ^(c)	De-recognised revenue ^(d)	Rental revenue ^(e)	Total differences as per Table 1A
Revenue	(3,083)	(123)	114	652	(566)	(3,006)
Operating costs	-	123	(114)	(97)	-	(88)
Other operating income	-	-	-	-	-	-
Operating profit	(3,083)	-	-	555	(566)	(3,094)
Other income	3,083	-	-	-	566	3,649
Profit before tax	-	-	-	555	-	555

- Grants and contributions treated as revenue in the statutory accounts, but as other income in the regulatory accounts (OFWAT clarification)
- Income from National Grid's Short Term Operating Regime (STOR) for use of the appointed business standby generators to assist with peak electricity demand - treated as revenue in the statutory accounts, but as negative operating expenditure in the regulatory accounts.
- Income from reading meters on behalf of retailers is offset against operating costs in the statutory accounts, but as revenue in the regulatory accounts.
- Under IFRS 15, revenue judged as unlikely to be collected was de-recognised in the statutory accounts (£773k) with an offsetting adjustment made to the bad debt provision (£97k) and revenue from prior years being recognised (£121k). For the Regulatory accounts, RAG 1.07 states that 'where an amount is billed it is probable that cash will be collected, and that no judgement should be applied to probability of collection'. Therefore for regulatory accounts this Statutory adjustment has been reversed.
- Rental revenue is treated as revenue in the statutory accounts, but as other income in the regulatory accounts.

1A – Income statement continued

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

The table below compares forecast taxable profit and each forecast adjustment to taxable profit that was included in the PR19 Final Determination financial model with actual taxable profit and actual adjustments that applied in 2021/22.

Details of the tax strategy for SES Water is set out in the Annual Report and financial statements (see Corporate Governance Report page 82).

	Appointed activities 000	Non-appointed £000	Definition Differences £000	Total £000	Final Determination Wholesale £000	Final Determination Retail £000	Final Determination Total £000	Difference £000	Tax Difference £000
Taxable profit	(6,041)	1,194	(555)	(5,402)	9,883	(230)	9,653	(15,055)	(2,860)
Adjustments for									
Depreciation	12,050	-	-	12,050	-	-	-	12,050	2,290
Insurance proceeds	(1,967)	-	-	(1,967)	-	-	-	(1,967)	(374)
Depreciation allowed under SP3/91	(149)	-	-	(149)	-	-	-	(149)	(28)
Allowable depreciation on deferred revenue expenditure	(508)	-	-	(508)	-	-	-	(508)	(97)
Profit on disposal of fixed assets	(1,279)	-	-	(1,279)	-	-	-	(1,279)	(243)
Capital allowances	(5,793)	-	-	(5,793)	-	-	-	(5,793)	(1,101)
Defined benefit pension adjustment	(165)	-	-	(165)	-	-	-	(165)	(31)
Reliefs claimed	3,213	-	-	3,213	-	-	-	3,213	610
Resulting in:									
Adjusted trading profit(loss) before tax	(639)	1,194	(555)	-	9,883	(230)	9,653	(9,653)	(1,834)
Tax based on UK corporation tax rate assumed in FD (17%)	(109)	203	(94)	-	1,680	(39)	1,641	(1,641)	
Difference due to actual UK corporation tax rate	(13)	24	(11)	-	198	(5)	193	(193)	
Tax based on UK corporation tax rate of 19%	(122)	227	(105)	-	1,878	(44)	1,834	(1,834)	

1B – Statement of comprehensive income

for the 12 months ended 31 March 2022

		Adjustments				
		Statutory £000	Differences between statutory and RAG definitions £000	Non- appointed £000	Total adjustments £000	Total appointed activities £000
1B.1	Profit for the year	(17,337)	450	(967)	(517)	(17,854)
1B.2	Actuarial losses on post-employment plans	5,658	-	-	-	5,658
1B.3	Other comprehensive income	(983)	-	-	-	(983)
1B.4	Total Comprehensive income for the year	(12,662)	450	(967)	(517)	(13,179)

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

The differences between Statutory and Regulatory definitions are shown above in table 1A.

1C – Statement of financial position

as at 31 March 2022

	Statutory £000	Adjustments		Total adjustments £000	Total appointed activities £000
		Differences between statutory and RAG definitions £000	Non- appointed £000		
Non-current assets					
1C.1	Fixed assets	358,717	-	-	358,717
1C.2	Intangible assets	12,808	-	-	12,808
1C.3	Investments – loans to group companies	-	-	-	-
1C.4	Investments – other	-	-	-	-
1C.5	Financial instruments	-	-	-	-
1C.6	Retirement benefit assets	26,265	-	-	26,265
1C.7	Total	397,790	-	-	397,790
Current assets					
1C.8	Inventories	286	-	-	286
1C.9	Trade & other receivables	30,778	1,201	(304)	31,675
1C.10	Financial instruments	-	-	-	-
1C.11	Cash & cash equivalents	24,102	-	(4,988)	19,114
1C.12	Total	55,166	1,201	(5,292)	51,075
Current liabilities					
1C.13	Trade & other payables	(44,691)	5,786	314	(38,591)
1C.14	Capex creditor	-	(5,786)	-	(5,786)
1C.15	Borrowings	(212)	-	-	(212)
1C.16	Financial instruments	-	-	-	-
1C.17	Current tax liabilities	-	(228)	227	(1)
1C.18	Provisions	-	-	-	-
1C.19	Total	(44,903)	(228)	541	(44,590)
1C.20	Net Current assets/(liabilities)	10,263	973	(4,751)	6,485
Non-current liabilities					
1C.21	Trade & other payables	-	-	-	-
1C.22	Borrowings	(234,716)	-	-	(234,716)
1C.23	Financial instruments	-	-	-	-
1C.24	Retirement benefit obligations	(972)	-	-	(972)
1C.25	Provisions	-	-	-	-
1C.26	Deferred income – G&C's	-	-	-	-
1C.27	Deferred income – adopted assets	-	-	-	-
1C.28	Preference share capital	-	-	-	-
1C.29	Deferred tax	(54,543)	-	-	(54,543)
1C.30	Total	(290,231)	-	-	(290,231)
1C.31	Net assets	117,822	973	(4,751)	114,044
Equity					
1C.32	Called up share capital	51,489	-	-	51,489
1C.33	Retained earnings & other reserves	66,333	973	(4,751)	62,555
1C.34	Total Equity	117,822	973	(4,751)	114,044

Cash attributable to non-appointed activities at 31 March 2022 was £4.988 million. Cash held by the Company was £24.102 million. Appointed activities are, therefore, deemed to hold cash of £19.114 million.

Explanation of differences between statutory and RAG definitions

Note	De-recognised revenue ^(a)	Tax Liability ^(b)	Capex Creditor ^(c)	Total differences as per Table 1C
Non-current assets	-	-	-	-
Current assets	1,201	-	-	1,201
Trade & other payables	-	-	5,786	5,786
Capex creditor	-	-	(5,786)	(5,786)
Current tax liabilities	-	(228)	-	(228)
Net Current assets/(liabilities)	1,201	(228)	-	973
Non-current liabilities	-	-	-	-
Net assets	1,201	(228)	-	973
Equity	1,201	(228)	-	973
Profit before tax	1,201	(228)	-	973

- a) De-recognised revenue (where based on history we do not believe customers will pay) was adjusted for in the bad debt provision within the statutory accounts. For regulatory purposes this balance sheet impact has been reversed.
- b) The tax liability arising from the net P&L impact in point (a).
- c) Capex creditors are separated out in the regulatory accounts, but included within trade and other payables in the statutory accounts.

1D – Statement of cash flows

for the 12 months ended 31 March 2022

	Statutory £000	Adjustments		Total adjustments £000	Total appointed activities £000
		Differences between statutory and RAG definitions £000	Non-appointed £000		
Operating activities					
1D.1 Operating profit	10,153	(3,094)	(1,192)	(4,286)	5,867
1D.2 Other income	(1,970)	3,649	-	3,649	1,679
1D.3 Depreciation	12,710	-	-	-	12,710
1D.4 Amortisation – G&C's	-	-	-	-	-
1D.5 Changes in working capital	(4,124)	(555)	(135)	(690)	(4,814)
1D.6 Pension contributions	-	-	-	-	-
1D.7 Movement in provisions	-	-	-	-	-
1D.8 Profit on sale of fixed assets	(1,207)	-	-	-	(1,207)
1D.9 Cash generated from operations	15,562	-	(1,327)	(1,327)	14,235
1D.10 Net interest paid	(5,846)	368	(2)	366	(5,480)
1D.11 Tax paid	-	-	325	325	325
1D.12 Net cash generated from operating activities	9,716	368	(1,004)	(636)	9,080
Investing activities					
1D.13 Capital expenditure	(26,616)	-	-	-	(26,616)
1D.14 Grants & Contributions	-	-	-	-	-
1D.15 Disposal of fixed assets	1,324	-	-	-	1,324
1D.16 Other	2,593	(368)	-	(368)	2,225
1D.17 Net cash used in investing activities	(22,699)	(368)	-	(368)	(23,067)
1D.18 Net cash generated before financing activities	(12,983)	-	(1,004)	(1,004)	(13,987)
Cashflows from financing activities					
1D.19 Equity dividends paid	(3,516)	-	600	600	(2,916)
1D.20 Net loans received	15,000	-	-	-	15,000
1D.21 Cash inflow from equity financing	-	-	-	-	-
1D.22 Net cash generated from financing activities	11,484	-	600	600	12,084
1D.23 Increase (decrease) in net cash	(1,499)	-	(404)	(404)	(1,903)

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

Explanation of differences between statutory and RAG definitions

Note	Income Statement ^(a)	Interest Received ^(b)	Total differences as per Table 1D
Operating activities			
Operating profit	(3,094)	-	(3,094)
Other income	3,649	-	3,649
Changes in working capital	(555)	-	(555)
Changes in provisions	-	-	-
Cash generated from operations	-	-	-
Net interest paid	-	368	368
Net cash generated from operating activities	-	368	368
Net cash used in investing activities	-	(368)	(368)
Net cash generated before financing activities	-	-	-
Net cash generated from financing activities	-	-	-
Increase (decrease) in net cash	-	-	-

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

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

1E – Net debt analysis (appointed activities)

at 31 March 2022

		Interest rate risk profile			
		Fixed rate £000	Floating rate £000	Index linked RPI £000	Total £000
Interest rate risk profile					
1E.1	Borrowings (excluding preference shares)	726	59,000	175,202	234,928
1E.3	Total borrowings				234,928
1E.4	Cash				(19,114)
1E.5	Short term deposits				-
1E.6	Net Debt				215,814
Gearing					
1E.7	Gearing				72.4%
1E.8	Adjusted Gearing				71.7%
Interest					
1E.9	Full year equivalent nominal interest cost	17	742	21,183	21,942
1E.10	Full year equivalent cash interest payment	17	742	5,035	5,794
Indicative interest rates					
1E.11	Indicative weighted average nominal interest rate	2.4%	1.3%	12.1%	9.3%
1E.12	Indicative weighted average cash interest rate	2.4%	1.3%	2.9%	2.5%
Time to maturity					
1E.13	Weighted average years to maturity	6.10	3.00	9.17	7.61

The RCV used in the above calculation is £298.256 million which was published by Ofwat in June 2022.

Consistently with prior years the net debt figure includes unamortised bond fees (£3.9m) and all appointed cash balances of £19.11m. Gearing is defined as net debt over RCV as noted above. In addition, when calculating the full year equivalent cash interest payment, we have included the unamortised fees for consistency with the figure in 1E.1.

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

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

Full year equivalent nominal interest does not equal the interest cost in the income statement as nominal interest is calculated as the nominal interest rate multiplied by the Principal sum as at 31 March 2022.

1F – Financial Flows

for the 12 months ended 31 March 2022

		Notional returns and notional regulatory equity %	Actual returns and notional regulatory equity %	Actual returns and actual regulatory equity %	Notional returns and notional regulatory equity £000	Actual returns and notional regulatory equity £000	Actual returns and actual regulatory equity £000
1F.1	Regulatory equity	£k	105,093	105,093	69,357	-	-
1F.2	Return on regulatory equity		3.85 %	2.54 %	3.85 %	4,045	2,670
	Financing						
	Impact of movement						
1F.3	from notional gearing	-	1.31 %	0.77 %	-	1,376	535
1F.4	Gearing benefits sharing	-	-	-	-	-	-
1F.5	Variance in corporation tax	-	0.95 %	1.44 %	-	998	998
1F.6	Group relief	-	-	-	-	-	-
1F.7	Cost of debt	-	(4.78)%	(8.64)%	-	(5,018)	(5,995)
1F.8	Hedging instruments	-	-	-	-	-	-
1F.9	Return on regulatory equity including Financing adjustments		3.85 %	0.03 %	(2.58)%	4,045	26
	Operational performance						
1F.10	Totex out / (under) performance	-	0.46 %	0.70 %	-	484	484
1F.11	ODI out / (under) performance	-	0.31 %	0.46 %	-	321	321
1F.12	C-Mex out / (under) performance	-	(0.20)%	(0.30)%	-	(208)	(208)
1F.13	D-Mex out / (under) performance	-	(0.30)%	(0.46)%	-	(317)	(317)
1F.14	Retail out / (under) performance	-	(3.00)%	(4.54)%	-	(3,151)	(3,151)
1F.15	Other exceptional items	-	-	-	-	-	-
1F.16	Operational performance total	-	(2.73)%	(4.14)%	-	(2,871)	(2,871)
1F.17	RoRE (return on regulatory equity)		3.85 %	(2.71)%	(6.73)%	4,045	(2,845)
1F.18	RCV growth		7.25 %	7.25 %	7.25 %	7,620	7,620
1F.19	Voluntary sharing arrangements		-	-	-	-	-
1F.20	Total shareholder return		11.10 %	4.54 %	0.52 %	11,665	4,775
	Dividends						
1F.21	Gross Dividend		1.02 %	2.56 %	3.87 %	1,075	2,687
	Interest Receivable on						
1F.22	Intercompany loans		-	-	-	-	-
1F.23	Retained Value		10.08 %	1.98 %	(3.34)%	10,590	2,088
	Cash impact of 2015-20 performance adjustments						
1F.24	Totex out / under performance	-	(0.12)%	(0.18)%	-	(122)	(122)
1F.25	ODI out / under performance	-	0.20 %	0.30 %	-	208	208
1F.26	Total out / under performance	-	0.08 %	0.12 %	-	86	86

The second part of the financial flows table showing the average over the Amp is on page 29.

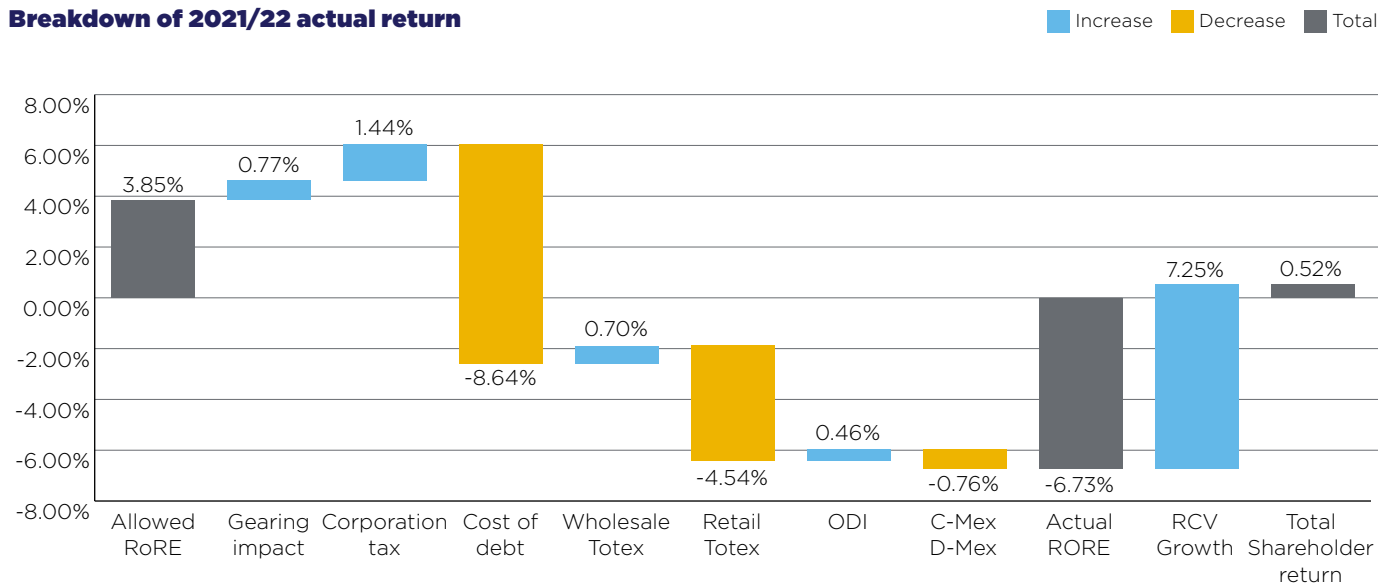
This information has been produced in accordance with guidance provided by Ofwat and allows a comparison between the returns under our actual capital structure and the returns set by the regulator under a notional capital structure. The total actual return to external shareholders is generally comprised of the following;

- Base return set during the PR19 Final Determination (FD),
- Outturn financial and operational performance compared to our set allowances/targets,
- Retrospective adjustment to reflect actual performance over 2015 to 2020, and
- Growth in Regulatory Capital Value (RCV) arising from inflation.

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

1F – Financial Flows continued

Breakdown of 2021/22 actual return



For year ended 31 March 2022, the Final Determination set our base return at 3.85% applicable to Ofwat’s notional capital structure with notional gearing of 60%. Our actual results are discussed further below:

Our financing activities decreased returns by 6.43% from 3.85% (notional) to (2.58)% (actual) which can be attributed to the following reasons:

- Our average gearing of 72.4% is higher than the 60% assumed by Ofwat for a notional company, which had the impact of increasing returns by £535k or 0.77%. The higher gearing amplifies the percentage return to external shareholders, because debt has a lower required return than equity. Another impact of higher gearing levels is that it increases the volatility of external shareholder returns, which become proportionately more sensitive to levels of out or under performance.
- The tax expense for the year was zero mainly due to the challenging operating environment resulting in a loss before tax and therefore, the tax expense impact increased returns by £998k or 1.44% compared to the Final Determination allowance.
- Rising inflation rates have increased charges on the RPI-linked bond. Cost of debt is higher than compared to the Final Determination allowance lowering returns by £5,995k or 8.64%.

Our operational performance decreased returns for the financial year by 4.1% or £2,871k which is due to various factors:

- Our Wholesale totex spend was £484k or 0.70% lower than the Final Determination (17/18 prices) due to a variety of factors, including delays in certain resilience mains activity resulting in lower capex costs, partially offset by increased supply chain costs due to rising inflation.
- ODI, C-Mex, D-Mex performance - The company has performed well against its ODI targets and will benefit by £321k or 0.46%. However, we have scored poorly on C-Mex and D-Mex and will see penalties amounting to £525k (0.76%).
- Our retail totex performance reflects a challenging FD allowance, which has been further impacted by higher costs associated with implementation of the new billing system ‘Aptumo’ and investment in enhancing our customer service and debt collection capabilities.

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

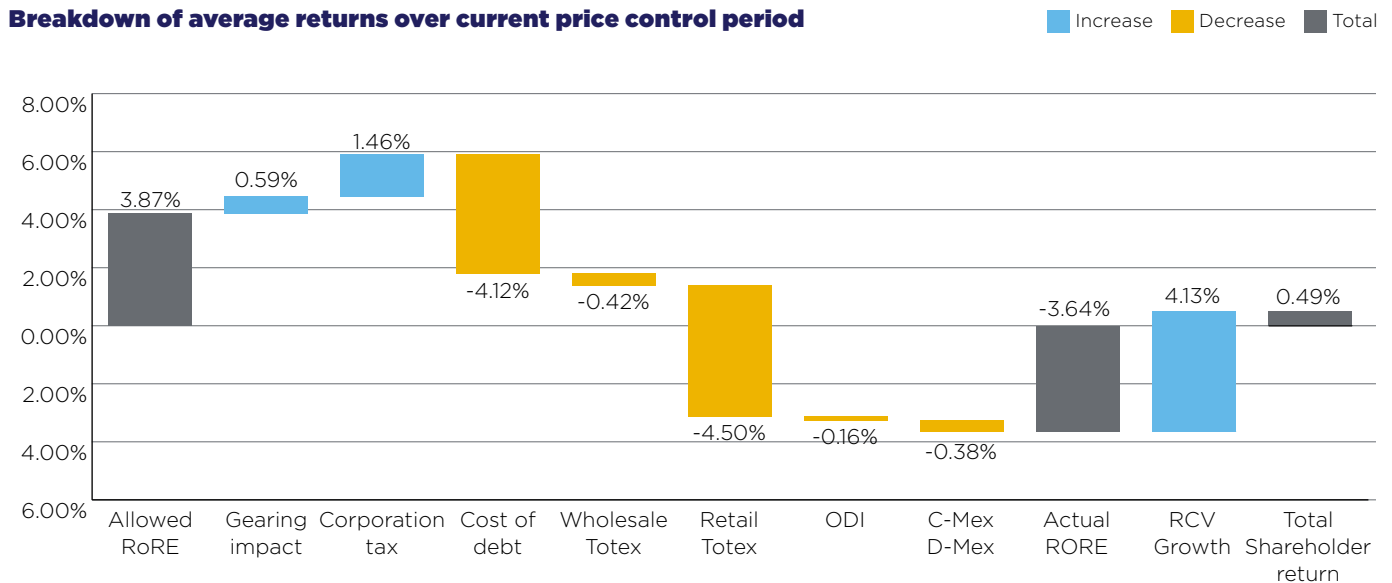
We do not have any voluntary sharing arrangements for AMP7.

Financial performance of the first two years of AMP 7 – average of 2020 to 2022

	Notional returns and notional regulatory equity %	Actual returns and notional regulatory equity %	Actual returns and actual regulatory equity %	Notional returns and notional regulatory equity £000	Actual returns and notional regulatory equity £000	Actual returns and actual regulatory equity £000
1F.1 Regulatory equity	103,304	103,304	74,920	-	-	-
1F.2 Return on regulatory equity	3.87 %	2.81 %	3.87 %	4,003	2,903	2,903
Financing						
1F.3 Impact of movement from notional gearing	-	1.06 %	0.59 %	-	1,100	409
1F.4 Gearing benefits sharing	-	-	-	-	-	-
1F.5 Variance in corporation tax	-	0.98 %	1.48 %	-	1,025	1,025
1F.6 Group relief	-	-	-	-	-	-
1F.7 Cost of debt	-	(2.27)%	(4.12)%	-	(2,384)	(2,857)
1F.8 Hedging instruments	-	-	-	-	-	-
1F.9 Return on regulatory equity including Financing adjustments	3.87 %	2.58 %	1.82 %	4,003	2,644	1,480
Operational performance						
1F.10 Totex out / (under) performance	-	(0.28)%	(0.42)%	-	(292)	(292)
1F.11 ODI out / (under) performance	-	(0.11)%	(0.16)%	-	(112)	(112)
1F.12 C-Mex out / (under) performance	-	(0.10)%	(0.15)%	-	(104)	(104)
1F.13 D-Mex out / (under) performance	-	(0.15)%	(0.23)%	-	(158)	(158)
1F.14 Retail out / (under) performance	-	(2.97)%	(4.50)%	-	(3,124)	(3,124)
1F.15 Other exceptional items	-	-	-	-	-	-
1F.16 Operational performance total	-	(3.61)%	(5.46)%	-	(3,790)	(3,790)
1F.17 RoRE (return on regulatory equity)	3.87 %	(1.03)%	(3.64)%	4,003	(1,146)	(2,310)
1F.18 RCV growth	4.13 %	4.13 %	4.13 %	4,268	4,268	3,095
1F.19 Voluntary sharing arrangements	-	-	-	-	-	-
1F.20 Total shareholder return	8.00 %	3.10 %	0.49 %	8,271	3,122	785
Dividends						
1F.21 Gross Dividend	1.43 %	3.29 %	4.54 %	1,478	3,402	3,402
1F.22 Interest Receivable on Intercompany loans	-	-	-	-	-	-
1F.23 Retained Value	6.57 %	(0.19)%	(4.05)%	6,793	(280)	(2,617)
Cash impact of 2015-20 performance adjustments						
1F.24 Totex out / under performance	-	(0.12)%	(0.16)%	-	(122)	(122)
1F.25 ODI out / under performance	-	0.20 %	0.28 %	-	208	208
1F.26 Total out / under performance	-	0.08 %	0.12 %	-	86	86

1F – Financial Flows continued

Breakdown of average returns over current price control period



The Final Determination set our base return at 3.87% applicable to Ofwat’s notional capital structure with notional gearing of 60% for the average over financial years 2021 and 2022. Our actual results are discussed further below:

Our financing activities increased returns by 2.05% from 3.87% (notional) to 1.82% (actual) which can be attributed to the following reasons:

- Average gearing of 71.7% during the AMP to date is higher than the 60% assumed by Ofwat for a notional company, which had the impact of increasing average returns by £409k or 0.59%. The higher gearing amplifies the percentage return to external shareholders, because debt has a lower required return than equity. Another impact of higher gearing levels is that it increases the volatility of external shareholder returns, which become proportionately more sensitive to levels of out or under performance.
- The tax expense for the 2020/21 and 2021/22 was zero due to the challenging operating environment which increased average returns by £1,025k or 1.48% compared to the Final Determination allowance.
- In the first year of the AMP inflation rates were lower than that assumed in the FD. However in year 2 rising inflation rates have increased charges on the RPI-linked bond. Cost of debt is higher than compared to the Final Determination allowance lowering returns by £2,857k or 4.12%.

Our operational performance decreased average returns over the price control period by 5.46% or £3,790k due to various factors:

- Our average Wholesale totex spend was £292k or 0.42% lower than the Final Determination (in 17/18 prices) due to a variety of factors, including delays in certain resilience mains activity resulting in lower capex costs, partially offset by increased supply chain costs due to rising inflation.
- ODI, C-Mex, D-Mex performance - On average the company has not performed as well as originally anticipated against its ODI targets, which will reduce returns by £112k or 0.16%. The company has also scored poorly on C-Mex and D-Mex and will see average penalties amounting to £262k (0.38%).
- Our average retail totex performance reflects a challenging FD allowance, which has been further impacted by higher costs associated with implementation of the new billing system ‘Aptumo’ and investment in enhancing our customer service and debt collection capabilities.

2A – Segmental income statement

for the 12 months ended 31 March 2022

	Residential Retail £000	Water resources £000	Water network+ £000	Total £000
2A.1 Revenue – price control	4,854	5,245	47,200	57,299
2A.2 Revenue – non price control	-	35	313	348
				-
2A.5 Operating expenditure	(8,326)	(4,888)	(29,214)	(42,428)
				-
2A.6 Depreciation – tangible fixed assets	-	(688)	(11,362)	(12,050)
2A.7 Amortisation – intangible fixed assets	(481)	(4)	(175)	(660)
2A.8 Other operating income	(41)	2	3,397	3,358
2A.9 Operating profit	(3,994)	(298)	10,159	5,867

The basis of cost allocations used in this segmental income statement is described in Note 1A on page 19. 'Water network+' activities include raw water transport and storage, water treatment and treated water distribution in accordance with the definitions in the Regulatory Accounting Guidelines (RAGs).

Residential Retail activities made an operating loss of £3.994 million due to high costs, as noted on page 33 (table 2C).

2B – Totex analysis – wholesale

for the 12 months ended 31 March 2022

	Water resources £000	Water network+ £000	Total £000
Base operating expenditure			
2B.1 Power	1,727	4,492	6,219
2B.2 Income treated as negative expenditure	-	(123)	(123)
2B.3 Service charges/ discharge consents	498	-	498
2B.4 Bulk Supply/Bulk discharge	-	53	53
2B.5 Renewals expensed in year (Infrastructure)	-	-	-
2B.6 Renewals expensed in year (Non-Infrastructure)	-	-	-
2B.7 Other operating expenditure (including Location specific costs & obligations)	1,857	20,413	22,270
2B.8 Local authority and Cumulo rates	806	1,786	2,592
2B.9 Total base operating expenditure	4,888	26,621	31,509
Other operating expenditure			
2B.10 Enhancement operating expenditure	-	-	-
2B.11 Developer services operating expenditure	-	2,598	2,598
2B.12 Total operating expenditure excluding third party services	4,888	29,219	34,107
2B.13 Third party services	-	(5)	(5)
2B.14 Total operating expenditure	4,888	29,214	34,102
Grants and contributions			
2B.15 Grants and contributions – operating expenditure	-	3,082	3,082
Capital expenditure			
2B.16 Base capital expenditure	595	17,867	18,462
2B.17 Enhancement capital expenditure	-	5,920	5,920
2B.18 Developer services capital expenditure	-	947	947
2B.19 Total gross capital expenditure (excluding third party)	595	24,734	25,329
2B.20 Third party services	-	-	-
2B.21 Total gross capital expenditure	595	24,734	25,329
Grants and contributions			
2B.22 Grants and contributions – capital expenditure	-	-	-
2B.23 Net totex	5,483	50,866	56,349
Cash expenditure			
2B.24 Pension deficit recovery payments	-	-	-
2B.25 Other cash items	-	-	-
2B.26 Totex including cash items	5,483	50,866	56,349

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

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

2C – Cost analysis – retail

for the 12 months ended 31 March 2022

	Household total £000
Operating expenditure	
2C.1 Customer services	3,464
2C.2 Debt management	498
2C.3 Doubtful debts	(353)
2C.4 Meter reading	480
2C.5 Services to developers	-
2C.6 Other operating expenditure	3,362
2C.7 Local authority and Cumulo rates	875
2C.8 Total operating expenditure excluding third party services	8,326
Depreciation	
2C.9 Depreciation on tangible fixed assets existing at 31 March 2015	-
2C.10 Depreciation on tangible fixed assets acquired after 1 April 2015	-
2C.11 Amortisation on intangible fixed assets existing at 31 March 2015	-
2C.12 Amortisation on intangible fixed assets acquired after 1 April 2015	481
2C.18 Total retail costs excluding third party and pension deficit repair costs	8,807
2C.19 Third party services operating expenditure	-
2C.20 Pension deficit repair costs	-
2C.21 Total retail costs including third party and pension deficit repair costs	8,807
Debt written off	
2C.22 Debt written off	169
Capital expenditure	
2C.23 Capital expenditure	2,058
Other operating expenditure includes the net retail expenditure for the following household retail activities which are part funded by wholesale	
2C.24 Demand-side water efficiency – gross expenditure	360
2C.25 Demand-side water efficiency – expenditure funded by wholesale	360
2C.26 Demand-side water efficiency – net retail expenditure	-
2C.27 Customer-side leak repairs – gross expenditure	320
2C.28 Customer-side leak repairs – expenditure funded by wholesale	320
2C.29 Customer-side leak repairs – net retail expenditure	-
Comparison of actual and allowed expenditure	
2C.30 Cumulative actual retail expenditure to reporting year end	17,301
2C.31 Cumulative allowed expenditure to reporting year end	10,651
2C.32 Total allowed expenditure 2020-25	27,851

Total operating costs for retail household for 2021/22 amounted to £8.8 million. This is £3.8 million higher than the allowed residential retail revenue in the Final Determination of £5.0 million.

During 2021/22 the household retail price control has seen the following variations in costs:

- Implementation of the new billing system 'Aptumo'
- Investment in enhancing our customer service and debt collection capabilities
- A significant increase in meter reading and debt services to 'catchup' from COVID-19 restrictions

The Company incurred no expenditure related to appointed services to third-parties.

2D - Historic cost analysis of tangible fixed assets

for the 12 months ended 31 March 2022

	Residential Retail £000	Water resources £000	Water network+ £000	Total £000
Cost				
2D.1 At 1 April 2021	183	28,197	541,880	570,260
2D.2 Disposals	(104)	(92)	(491)	(687)
2D.3 Additions	-	549	23,585	24,134
2D.4 Adjustments	-	-	-	-
2D.5 Assets adopted at nil cost	-	-	-	-
2D.6 At 31 March 2022	79	28,654	564,974	593,707
Depreciation				
2D.7 At 1 April 2021	(176)	(10,485)	(212,924)	(223,585)
2D.8 Disposals	97	73	475	645
2D.9 Adjustments	-	-	-	-
2D.10 Charge for year	-	(688)	(11,362)	(12,050)
2D.11 At 31 March 2022	(79)	(11,100)	(223,811)	(234,990)
2D.12 Net book amount at 31 March 2022	-	17,554	341,163	358,717
2D.13 Net book amount at 1 April 2021	7	17,712	328,956	346,675
Depreciation charge for year				
2D.14 Principal services	-	(688)	(11,362)	(12,050)
2D.15 Third party services	-	-	-	-
2D.16 Total	-	(688)	(11,362)	(12,050)

2E – Analysis of grants and contributions: wholesale

for the 12 months ended 31 March 2022

	Fully Recognised in income statement £000	Capitalised and amortised in income statement £000	Fully netted off capex £000	Total £000
Grants and contributions – water resources				
2E.1 Diversions – s185	-	-	-	-
2E.2 Other contributions (price control)	-	-	-	-
2E.3 Price control grants and contributions	-	-	-	-
2E.4 Diversions – NRSWA	-	-	-	-
2E.5 Diversions – other non-price control	-	-	-	-
2E.6 Other contributions (non-price control)	-	-	-	-
2E.7 Total	-	-	-	-
2E.8 Value of adopted assets	-	-	-	-
Grants and contributions – water network+				
2E.9 Connection charges	2,207	-	-	2,207
2E.10 Infrastructure charge receipts	697	-	-	697
2E.11 Requisitioned mains	376	-	-	376
2E.12 Diversions – s185	45	-	-	45
2E.13 Other contributions (price control)	42	-	-	42
Price control grants and contributions before deduction of income offset	3,367	-	-	3,367
2E.14 deduction of income offset	(285)	-	-	(285)
2E.15 Income offset	(285)	-	-	(285)
Price control grants and contributions after deduction of income offset	3,082	-	-	3,082
2E.16 deduction of income offset	3,082	-	-	3,082
2E.17 Diversions – NRSWA	-	-	-	-
2E.18 Diversions – other non-price control	-	-	-	-
2E.19 Other contributions (non-price control)	-	-	-	-
2E.20 Total	3,082	-	-	3,082
2E.21 Value of adopted assets	-	34	-	34
Movements in capitalised grants and contributions				
2E.34 b/f	-	-	-	-
2E.35 Capitalised in year	-	-	-	-
2E.36 Amortisation (in income statement)	-	-	-	-
2E.37 c/f	-	-	-	-

2F – Residential retail

for the 12 months ended 31 March 2022

	Revenue £000	Number of customers	Average residential revenues £
Residential revenue			
2F.1 Wholesale charges	44,754		
2F.2 Retail revenue	4,854		
2F.3 Total residential revenue	49,608		
Retail revenue			
2F.4 Revenue Recovered (“RR”)	4,854		
2F.5 Revenue sacrifice	-		
2F.6 Actual revenue (net)	4,854		
Customer information			
2F.7 Actual customers (“AC”)		274,011	
2F.8 Reforecast customers		283,485	
Adjustment			
2F.9 Allowed revenue (“R”)	5,422		
2F.10 Net adjustment	568		
Other residential information			
2F.11 Average residential retail revenue per customer			17.72

The household retail revenue allowance for 12 months ended 31 March 2022 was £4.854 million. This is £0.568 million less than the PR19 Final Determination (in 2021/22 prices) allowed revenue due to the impact of COVID-19 reducing forecast customer and consumption volumes below those originally forecast.

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

21 – Revenue analysis

On 1 April 2017 SES Water exited the non-household retail market. Non-households can now choose their retailer in the competitive market. Retailers charge non-household customers and pay us wholesale charges. For the 12 months ended 31 March 2022 wholesale revenue to non-household customers totalled £7.690 million, primarily to retailers.

	Household £000	Non-household £000	Total £000	Water resources £000	Water network+ £000	Total £000	
Wholesale charge - water							
21.1	Unmeasured	19,126	1,679	20,805	2,080	18,725	20,805
21.2	Measured	25,628	6,011	31,639	3,164	28,475	31,639
21.3	Third party revenue	-	-	-	-	-	-
21.4	Total wholesale water revenue	44,754	7,690	52,444	5,244	47,200	52,444
21.16	Wholesale Total	44,754	7,690	52,444			
Retail revenue							
21.17	Unmeasured	1,925	-	1,925			
21.18	Measured	2,929	-	2,929			
21.19	Other third party revenue	-	-	-			
21.20	Retail Total	4,854	-	4,854			
Third party revenue - non-price control							
21.21	Bulk supplies - water			103			
21.23	Other third party revenue			246			
Principal services - non-price control							
21.24	Other appointed revenue			-			
21.25	Total appointed revenue			57,647			

2J – Infrastructure network reinforcement costs

for the 12 months ended 31 March 2022

	Network reinforcement capex £000	On site/ site specific capex £000
2J.1 Distribution and trunk mains	1,208	-
2J.2 Pumping and storage facilities	-	-
2J.3 Other	-	-
2J.4 Total	1,208	-

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

2K – Infrastructure charge reconciliation

for the 12 months ended 31 March 2022

	Water £000
2K.1 Infrastructure charges	697
2K.2 Discounts applied to infrastructure charges	-
2K.3 Gross infrastructure charges	697

Comparison of revenue and costs

2K.4 Variance brought forward	(1,221)
2K.5 Revenue	697
2K.6 Costs	(1,208)
2K.7 Variance carried forward	(1,732)

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

2L – Analysis of land sales

for the 12 months ended 31 March 2022

	Water resources £000	Water Network+ £000	Total £000
2L.1 Proceeds from disposals of protected land	-	1,270	1,270

The proceeds from sale of land relates to the sale of Woodcote Reservoir, a non-operational site.

2M – Revenue reconciliation

for the 12 months ended 31 March 2022

	Water resources £000	Water network+ £000	Total £000
Revenue recognised			
2M.1 Wholesale revenue governed by price control	5,244	47,200	52,444
2M.2 Grants & contributions (price control)	-	3,082	3,082
2M.3 Total revenue governed by wholesale price control	5,244	50,282	55,526
Calculation of the revenue cap			
2M.4 Allowed wholesale revenue before adjustments	6,008	54,363	60,371
2M.5 Allowed grants & contributions before adjustments	-	4,450	4,450
2M.6 Revenue adjustment	(35)	(315)	(350)
2M.7 Other adjustments	-	-	-
2M.8 Revenue cap	5,973	58,498	64,471
Calculation of the revenue imbalance			
2M.9 Revenue cap	5,973	58,498	64,471
2M.10 Revenue Recovered	5,244	50,282	55,526
2M.11 Revenue imbalance	729	8,216	8,945

We recovered £5.244 million of Water Resources revenue and £50.282 million of Water network + revenue. We therefore under recovered our total allowed revenue by £8.945 million (13.9%) which was driven by:

- Allowed revenue inflated above expected level – the actual inflation used in the tariff setting for 2021/22 was 0.55% as directed by Ofwat, which is considerably lower than the actual average 2021/22 CPIH inflation of 3.76%. The result of the higher inflation increases the allowed revenue cap when compared to the original forecast 2021/22 tariffs.
- Lower customer and consumption volumes – the forecast of customer numbers, consumption volumes and new connections utilised for 2021/22 tariff setting purposes was made during the early months of the COVID-19 lockdown. However, actual volumes – particularly in relation to consumption volumes – for the year-ended 31 March 2022 were lower than such forecasts due to the ongoing impact of COVID-19. Therefore, with a lower actual volume base over which to recover our allowed revenue, overall actual recovered revenues for the year-ended 31 March 2022 was lower.

As allowed under the regulatory framework, this revenue under recovery will be recovered over future years through the tariff setting process.

2N – Residential retail – social tariffs

for the 12 months ended 31 March 2022

	Revenue £m	Number of customers 000s	Average amount per customer £
Number of residential customers on social tariffs			
2N.1 Residential water only social tariffs		19,072	
Number of residential customers not on social tariffs			
2N.4 Residential water only no social tariffs		253,173	
Social tariff discount			
2N.7 Average discount per water only social tariffs customer			107.088
Social tariff cross-subsidy – residential customers			
2N.10 Total customer funded cross-subsidies for water only social tariffs customers	1.781		
2N.13 Average customer funded cross-subsidy per water only social tariffs customer			6.541
Social tariff cross-subsidy – company			
2N.16 Total revenue forgone by company to fund cross-subsidies for water only social tariffs customers	0.262		
2N.19 Average revenue forgone by company to fund cross-subsidy per water only social tariffs customer			13.720
Social tariff support – willingness to pay			
2N.22 Level of support for social tariff customers reflected in business plan			6.000
2N.23 Maximum contribution to social tariffs supported by customer engagement			6.000

20 – Historic cost analysis of intangible fixed assets

for the 12 months ended 31 March 2022

	Residential Retail £000	Water resources £000	Water network+ £000	Total £000
Cost				
20.1 At 1 April 2021	5,769	161	26,490	32,420
20.2 Disposals	(2,329)	-	(507)	(2,836)
20.3 Additions	2,058	46	1,149	3,253
20.4 Adjustments	-	-	-	-
20.5 Assets adopted at nil cost	-	-	-	-
20.6 At 31 March 2022	5,498	207	27,132	32,837
Amortisation				
20.7 At 1 April 2021	(1,983)	(14)	(20,132)	(22,129)
20.8 Disposals	2,286	-	474	2,760
20.9 Adjustments	-	-	-	-
20.10 Charge for year	(481)	(4)	(175)	(660)
20.11 At 31 March 2022	(178)	(18)	(19,833)	(20,029)
20.12 Net book amount at 31 March 2022	5,320	189	7,299	12,808
20.13 Net book amount at 1 April 2021	3,786	147	6,358	10,291
Amortisation for year				
20.14 Principal services	(481)	(4)	(175)	(660)
20.15 Third party services	-	-	-	-
20.16 Total	(481)	(4)	(175)	(660)

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

Information on our performance is included in our 'Key Performance Indicators' (pages 20 to 25 of the Annual Report and Financial Statements 2022). We have met our target level of performance for the year on 15 out of 25 commitments for 2021/22 (note that this includes meeting the single overall PSR metric, with all 3 submeasures met). Outcomes of the performance commitments that are linked to financial reward or penalty for outperformance and underperformance will be reflected in the adjustment of revenue in the 2023/24 financial year. The financial impact shown in this table has been calculated based on the incentive rates as published in Ofwat's Final Determination for SES Water.

for the 12 months ended 31 March 2022

	units	2021-22 performance level – actual	2021-22 target met?	Outperformance or underperformance payment ⁽¹⁾ 2021-22	Forecast performance 2020-25	
Common PCs – Water (Financial)						
3A.1	Water quality compliance (CRI) ⁽²⁾	number	0.00	Yes	0.000	-0.028
3A.2	Water supply interruptions	hh:mm:ss	00:02:58	Yes	0.384	0.331
3A.3	Leakage ⁽³⁾	%	6.3	Yes	0.277	0.227
3A.4	Per capita consumption ⁽⁴⁾	%	-2.5	No	0.000	0.000
3A.5	Mains repairs ⁽⁵⁾	number	57.9	Yes	0.000	0.000
3A.6	Unplanned outage ⁽⁶⁾	%	1.36	Yes	0.000	0.000
Bespoke PCs – Water and Retail (Financial)						
Customer concerns about their water						
3A.7	(taste, odour and discolouration contacts) ⁽⁷⁾	nr	0.58	No	-0.056	-0.096
3A.8	Supporting customers in financial hardship ⁽⁸⁾	nr	19,994	Yes	0.000	0.000
3A.9	Void properties ⁽⁹⁾	%	4.12	No	-0.159	-0.294
3A.10	First contact resolution	%	81.1	No	-0.005	-0.005
3A.11	Greenhouse gas emissions	nr	47	Yes	0.000	0.000
River based improvement – delivery of						
3A.12	WINEP ⁽¹⁰⁾	nr	6	No	-0.004	0.000
3A.13	Water Softening ⁽¹¹⁾	nr	2.3	No	-0.065	-0.243
3A.14	Risk of supply failures ⁽¹²⁾	%	57	No	-0.051	-0.051

Notes:

- (1) The "outperformance or underperformance payment" column for 2021/22 shows the reward/(penalty) for the performance commitment based on Ofwat's Final Determination for SES Water. All payments are in 2017/18 price to be consistent with Ofwat's Final Determination issued in December 2019.
- (2) During 2021 there was only a single sample exceedance due to the presence of nickel within a customer tap. This was investigated and remedial action advised to protect the consumer. The Drinking Water Inspectorate takes a risk based approach to regulation, with each company being assigned a risk value based on their performance known as The Compliance Risk Index (CRI). With only a single sample exceedance, we believe that we will have an industry leading Compliance Risk Index score for 2021 of 0.00.
- (3) Leakage performance in the report year has been tracked and reported in accordance with the reporting guidance supplied by Ofwat. As a result the 2020/21 outperformance against target it has been necessary to set ourselves a much more challenging annual target in 2021/22 in order to ensure that as a three-year rolling average in 2021/22, we achieved the target of 24.4 MI/d. This calculated to an annual target of 23.2 MI/d (a 1.8 MI/d reduction from the 2020/21 annual leakage performance). The reported leakage figure for the 2021/22 report year is 21.1 MI/d which represents a 3.9 MI/d reduction on the 2020/21 annual reported figure. When considered as a three-year rolling average figure the outturn is 23.6 MI/d against a target of 24.4 MI/d. This continued strong performance in leakage results in an ODI outperformance reward of £277k.
- (4) Per capita consumption was adversely impacted by the ongoing COVID-19 restrictions and legacy effects such as the shift to home and hybrid working. However, consumption was nearly 12 litres (or 8%) lower than the previous year – a significant reduction.
- (5) In 2021/22 a 17% decrease on mains repairs compared to 2020/21 was noted, this is 9% less than the 3-year average AMP baseline.

- (6) As a result of the resilient water network we have developed, we are able to plan ahead and have kept unplanned outages below our target limit.
- (7) Our performance of 0.58 contacts per 1,000 population is expected to be upper quartile performance.
- (8) Our priority remains on ensuring we are here for customers when they need it and continue to improve our Water Support services available.
- (9) Our focus on reducing the number of void properties has increased and we are using specialist partners to identify where residential properties can be brought back into billing.
- (10) Six out of the seven planned schemes have met their targets, with the final scheme delayed due to the related impact of COVID-19 on obtaining key information from external parties that was required for us to proceed. A revised date was agreed with the stakeholders involved.
- (11) Our softening performance commitment means we are restricted to only testing the water hardness six times a fortnight. The 2021/22 performance results in a penalty of £64,680. (A significant improvement on the £177,660 penalty in 2020). This underperformance against target arose due to issues at Elmer 93% (following commissioning of new equipment), Kenley 4%, Woodmansterene 3% and Cheam 1%. 85% of the penalty for 2021 was generated in the first half of the year with performance in the second half of the year being significantly improved at Elmer works.
- (12) In 2021/22 we have achieved 57% of our customers being served by more than one water treatment works compared to our target of 65%. The principal reason we have not met our target is delays to being able to complete a strategic trunk main scheme, which has been held up for the first two years of the AMP due to first COVID-19 related delays and more latterly delays in planning complexities and getting the required local authority permissions. However, work has continued to progress on other schemes that form part of this strategy and we remain confident that we will meet or better our year 3 target with an aim of outperforming for the remainder of the AMP to compensate for our shortfall in the first two years.

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

for the 12 months ended 31 March 2022

	units	Value
3C.1 Annual customer satisfaction score for the customer experience survey	Number	72.72
3C.2 Annual customer satisfaction score for the customer experience survey	Number	79.97
3C.3 Annual C-MeX score	Number	76.35
3C.4 Annual net promoter score	Number	14.00
3C.5 Total household complaints	Number	1,230
3C.6 Total connected household properties	Number	286,111
3C.7 Total household complaints per 10,000 connections	Number	42.99
3C.8 Confirmation of communication channels offered ⁽¹⁾	TRUE or FALSE	TRUE

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

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

for the 12 months ended 31 March 2022

		units	Value
3D.1	Qualitative component annual results	Number	62.90
3D.2	Quantitative component annual results	Number	91.88
3D.3	D-MeX score	Number	77.39

3E – Outcome performance – Non financial performance commitments

for the 12 months ended 31 March 2022

		units	2021-22 performance level – actual	2021-22 target met?
3E.1	Risk of severe restrictions in a drought	%	0.0	Yes
3E.2	Priority services for customers in vulnerable circumstances – PSR reach	%	5.6	Yes
3E.3	Priority services for customers in vulnerable circumstances – Attempted contacts	%	97.0	Yes
3E.4	Priority services for customers in vulnerable circumstances – Actual contacts	%	94.0	Yes
Bespoke PCs				
3E.6	Vulnerable support scheme awareness	%	32.1	No
3E.7	Vulnerable support scheme helpfulness	%	84.0	Yes
3E.8	Pollution incidents	nr	0	Yes
3E.9	Abstraction incentive mechanism	nr	Not triggered	Yes
3E.10	Land based improvement – biodiversity	nr	2	Yes
3E.11	Perception of value for money	%	6	Yes
3E.12	WINEP Delivery	text	met	Yes

3H – Summary information on outcome delivery incentive payments

for the 12 months ended 31 March 2022

		Initial calculation of performance payments (excluding CMEX and DMEX) £m (2017-18 prices)
Initial calculation of in period revenue adjustment by price control		
3H.1	Water resources	0.00
3H.2	Water network plus	0.16
3H.5	Residential retail	-0.16
Initial calculation of end of period revenue adjustment by price control		
3H.8	Water resources	0.00
3H.9	Water network plus	-0.62
3H.12	Residential retail	0.00
Initial calculation of end of period RCV adjustment by price control		
3H.15	Water resources	0.00
3H.16	Water network plus	0.00
3H.19	Residential retail	0.00

Note: If all the penalties are applied in-period, we would incur a total penalty of £0.63m, being £0.47m for water network + and £0.16m for residential retail as noted above.

4A – Water bulk supply information

for the 12 months ended 31 March 2022

	Volume MI	Operating costs £000	Revenue £000
4A.1 Leep Networks (Water) Ltd	19.42	11.23	21.55
4A.2 Southern Water Services Ltd	73.03	42.21	81.04
4A.26 Total bulk supply exports	92.45	53.44	102.59

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

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

for the 12 months ended 31 March 2022

	Water resources £000	Water network+ £000
Totex (net of business rates, abstraction licence fees and grants and contributions)		
Final Determination allowed totex (net of business rates, abstraction licence fees and grants and contributions)		
4C.1	4,580	46,107
4C.2	4,179	48,674
4C.3	-	-
4C.4	-	-
4C.5	4,179	48,674
4C.6	(401)	2,566
4C.7	20	(1,151)
4C.8	(421)	3,717
4C.9	55.37%	55.37%
4C.10	44.63%	44.63%
4C.11	-	1,659
4C.12	(233)	-
4C.13	-	2,058
4C.14	(188)	-
Totex – business rates and abstraction licence fees		
4C.15	1,119	3,069
4C.16	1,304	1,786
4C.17	185	(1,284)
4C.18	75.00%	75.00%
4C.19	75.00%	75.00%
4C.20	139	(963)
4C.21	46	(321)
Totex not subject to cost sharing		
4C.22	-	2,429
4C.23	-	406
4C.24	-	(2,022)
4C.25	(95)	696
RCV		
4C.26	(95)	696
4C.27	79.61%	44.81%
4C.28	(19)	384

Included within Water Network+ variance (due to timing of expenditure) is a delay to a large mains replacement which has been deferred to later in the AMP. Under RAG 3.12 SES Water is required to disclose exceptional expenditure and disallowable expenditure, of which there is none. SES allocates cost centre basis within the trial balance, no additional re-charges are required.

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

for the price control period to date

	Water resources £000	Water network+ £000
Totex (net of business rates, abstraction licence fees and grants and contributions)		
4C.1 Final Determination allowed totex (net of business rates, abstraction licence fees and grants and contributions)	8,945	90,772
4C.2 Actual totex (net of business rates, abstraction licence fees and grants and contributions)	9,769	95,849
4C.3 Transition expenditure	-	-
4C.4 Disallowable costs	-	-
4C.5 Total actual totex (net of business rates, abstraction licence fees and grants and contributions)	9,769	95,849
4C.6 Variance	824	5,078
4C.7 Variance due to timing of expenditure	20	(1,151)
4C.8 Variance due to efficiency	804	6,229
4C.9 Customer cost sharing rate – outperformance	55.37%	55.37%
4C.10 Customer cost sharing rate – underperformance	44.63%	44.63%
4C.11 Customer share of totex overspend	359	2,780
4C.12 Customer share of totex underspend	-	-
4C.13 Company share of totex overspend	445	3,449
4C.14 Company share of totex underspend	-	-
Totex – business rates and abstraction licence fees		
4C.15 Final Determination allowed totex – business rates and abstraction licence fees	2,199	6,030
4C.16 Actual totex – business rates and abstraction licence fees	2,434	5,014
4C.17 Variance – business rates and abstraction licence fees	235	(1,016)
4C.18 Customer cost sharing rate – business rates	75.00%	75.00%
4C.19 Customer cost sharing rate – abstraction licence fees	75.00%	75.00%
4C.20 Customer share of totex over/underspend – business rates and abstraction licence fees	177	(762)
4C.21 Company share of totex over/underspend – business rates and abstraction licence fees	59	(254)
Totex not subject to cost sharing		
4C.22 Final Determination allowed totex – not subject to cost sharing	-	4,743
4C.23 Actual totex – not subject to cost sharing	-	677
4C.24 Variance – 100% company allocation	-	(4,066)
4C.25 Total customer share of totex over/(under) spend	535	2,018
RCV		
4C.26 Total customer share of totex over/under spend	535	2,018
4C.27 PAYG rate	80.85%	47.05%
4C.28 RCV element of cumulative totex over/underspend	103	1,069
4C.29 Adjustment for ODI outperformance payment or underperformance payment	-	-
4C.30 Green recovery	-	-
4C.31 RCV determined at FD at 31 March	14,916	283,340
4C.32 Projected 'shadow' RCV	15,019	284,409

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

4D – Totex analysis water resources and water network+

for the 12 months ended 31 March 2022

		Water network plus				Total £000
		Water resources £000	Raw water transport £000	Water treatment £000	Treated water distribution £000	
Operating expenditure						
4D.1	Base operating expenditure	4,888	435	10,615	15,571	31,509
4D.2	Enhancement operating expenditure	-	-	-	-	-
4D.3	Developer services operating expenditure	-	-	-	2,598	2,598
4D.4	Total operating expenditure excluding third party services	4,888	435	10,615	18,169	34,107
4D.5	Third party services	-	-	-	(5)	(5)
4D.6	Total operating expenditure	4,888	435	10,615	18,164	34,102
Grants and contributions						
4D.7	Grants and contributions – operating expenditure	-	-	-	3,082	3,082
Capital expenditure						
4D.8	Base capital expenditure	595	-	8,638	9,230	18,463
4D.9	Enhancement capital expenditure	-	-	-	5,920	5,920
4D.10	Developer services capital expenditure	-	-	-	946	946
4D.11	Total gross capital expenditure (excluding third party)	595	-	8,638	16,096	25,329
4D.12	Third party services	-	-	-	-	-
4D.13	Total gross capital expenditure	595	-	8,638	16,096	25,329
Grants and contributions						
4D.14	Grants and contributions – capital expenditure	-	-	-	-	-
4D.15	Net totex	5,483	435	19,253	31,178	56,349
Cash expenditure						
4D.16	Pension deficit recovery payments	-	-	-	-	-
4D.17	Other cash items	-	-	-	-	-
4D.18	Totex including cash items	5,483	435	19,253	31,178	56,349

4H – Financial metrics

for the 12 months ended 31 March 2022

	Units	Current year	AMP to date	
Financial indicators				
4H.1	Net debt	£m	215.814	
4H.2	Regulatory equity	£m	82.442	
4H.3	Regulatory gearing	%	72.36%	
4H.4	Post tax return on regulatory equity	%	(7.75%)	
4H.5	RORE (return on regulatory equity)	%	(2.71%)	(1.03%)
4H.6	Dividend yield	%	3.54%	
4H.7	Retail profit margin – Household	%	(7.38%)	
			Baa2	
4H.10	Credit rating – Moody's	Text	(Stable)	
4H.12	Return on RCV	%	3.29%	
4H.13	Dividend cover	dec	(6.121)	
4H.14	Funds from operations (FFO)	£m	13.894	
4H.15	Interest cover (cash)	dec	2.495	
4H.16	Adjusted interest cover (cash)	dec	0.191	
4H.17	FFO/Net debt	dec	0.064	
4H.18	Effective tax rate	%	2.01%	
4H.19	RCF	£m	10.978	
4H.20	RCF/Net debt	dec	0.051	
Borrowings				
4H.21	Proportion of borrowings which are fixed rate	%	0.31%	
4H.22	Proportion of borrowings which are floating rate	%	25.11%	
4H.23	Proportion of borrowings which are index linked	%	74.58%	
4H.24	Proportion of borrowings due within 1 year or less	%	0.00%	
4H.25	Proportion of borrowings due in more than 1 year but no more than 2 years	%	0.00%	
4H.26	Proportion of borrowings due in more than 2 years but no more than 5 years	%	25.38%	
4H.27	Proportion of borrowings due in more than 5 years but no more than 20 years	%	74.58%	
4H.28	Proportion of borrowings due in more than 20 years	%	0.04%	

Commentary on financial metrics

As noted in the commentary accompanying the revenue tables (see page 39), actual revenue in 2021/22 was:

- £8.945 million (13.9%) lower than the amount assumed in the wholesale price control; and
- £0.568 million lower (10.5%) lower than the allowed revenue in the household retail price control.

Actual wholesale totex for the year was £1.0 million lower than allowed in the wholesale price control. This was more than offset by retail operating costs for the year were £3.8 million higher than assumed in the retail price controls. Overall expenditure was therefore £2.8 million higher than assumed in the PR19 Final Determination in 21-22 prices.

The net ODI, C-Mex and D-Mex penalty for the year will be £0.249 (21/22 prices).

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

Dividend payments have been kept in line with the allowed return on regulatory equity reflected in the PR19 Final Determination and incorporated into the Company's updated dividend policy statement (which can be found on page 109 of the Annual Report and Financial Statements 2022).

4J – Base expenditure analysis

for the 12 months ended 31 March 2021

		Water network+					Total £000
		Water resources £000	Raw water distribution £000	Raw water storage £000	Water treatment £000	Treated water distribution £000	
Operating expenditure							
4J.1	Power	1,727	435	-	1,130	2,927	6,219
4J.2	Income treated as negative expenditure	-	-	-	-	(123)	(123)
4J.3	Bulk supply	-	-	-	-	53	53
4J.4	Renewals expensed in year (infrastructure)	-	-	-	-	-	-
4J.5	Renewals expensed in year (non-infrastructure)	-	-	-	-	-	-
4J.6	Other operating expenditure	1,857	-	-	6,663	11,497	20,017
4J.7	Local authority and Cumulo rates	806	-	-	695	1,091	2,592
Service Charges							
4J.8	Canal & River Trust abstraction charges/ discharge consents	-	-	-	-	-	-
4J.9	Environment Agency / NRW abstraction charges/ discharge consents	498	-	-	-	-	498
4J.10	Other abstraction charges/ discharge consents	-	-	-	-	-	-
Other operating expenditure							
4J.11	Costs associated with Traffic Management Act	-	-	-	-	126	126
4J.12	Costs associated with lane rental schemes	-	-	-	-	-	-
4J.13	Statutory water softening	-	-	-	2,127	-	2,127
4J.14	Total base operating expenditure	4,888	435	-	10,615	15,571	31,509
Capital expenditure							
4J.15	Maintaining the long term capability of the assets – infra	-	-	-	-	3,474	3,474
4J.16	Maintaining the long term capability of the assets – non-infra	595	-	-	8,638	5,756	14,989
4J.17	Total base capital expenditure	595	-	-	8,638	9,230	18,463
Traffic Management Act							
4J.18	Projects incurring costs associated with Traffic Management Act	-	-	-	-	7,606	7,606

4N – Developer Services Expenditure – water network+

for the 12 months ended 31 March 2022

	Water network+ Treated water distribution		Total £000
	Capex £000	Opex £000	
4N.1 New connections	920	2,536	3,456
4N.2 Requisition mains	-	15	15
4N.3 Infrastructure network reinforcement	27	47	74
4N.4 s185 diversions	-	-	-
4N.5 Other price controlled activities	-	-	-
4N.6 Total developer services expenditure	947	2,598	3,545

4P – Expenditure on non-price control diversions

for the 12 months ended 31 March 2022

	Water resources £000	Water network+ £000	Total £000
4P.1 Diversions – NRSWA	-	126	126
4P.2 Diversions – other non-price control	-	-	-
4P.3 Other developer services non-price control totex	-	-	-
4P.4 Developer services non-price control totex	-	126	126

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

	Units	Total £000
Connections volume data		
4Q.1 New connections (residential – excluding NAVs)	nr	1418
4Q.2 New connections (business – excluding NAVs)	nr	30
4Q.3 Total new connections served by incumbent	nr	1448
4Q.4 New connections – SLPs	nr	5
Properties volume data		
4Q.5 New properties (residential – excluding NAVs)	nr	1853
4Q.6 New properties (business – excluding NAVs)	nr	60
4Q.7 Total new properties served by incumbent	nr	1913
4Q.8 New residential properties served by NAVs	nr	111
4Q.9 New business properties served by NAVs	nr	0
4Q.10 Total new properties served by NAVs	nr	111
4Q.11 Total new properties	nr	2024
4Q.12 New properties – SLP connections	nr	431
New water mains data		
4Q.13 Length of new mains (km) – requisitions	nr	4
4Q.14 Length of new mains (km) – SLPs	nr	1

4R – Connected properties, customers and population

	Units	Unmeasured	Measured	Total	Voids
Customer numbers – average during the year					
4R.1 Residential water only customers	000s	89.166	184.845	274.011	10.915
4R.2 Residential wastewater only customers	000s	0	0	0	0
4R.3 Residential water and wastewater customers	000s	0	0	0	0
4R.4 Total residential customers	000s	89.166	184.845	274.011	10.915
4R.5 Business water only customers	000s	1.776	10.648	12.424	1.409
4R.6 Business wastewater only customers	000s	0	0	0	0
4R.7 Business water & wastewater customers	000s	0	0	0	0
4R.8 Total business customers	000s	1.776	10.648	12.424	1.409
4R.9 Total customers	000s	90.942	195.493	286.435	12.324

	Units	Unmeasured	Measured	Total
Property numbers – average during the year				
4R.10 Residential properties billed	000s	95.056	179.077	274.133
4R.11 Residential void properties	000s			11.13
4R.12 Total connected residential properties	000s			285.27
4R.13 Business properties billed	000s	1.79	10.63	12.42
4R.14 Business void properties	000s			1.50
4R.15 Total connected business properties	000s			13.92
4R.16 Total connected properties	000s			299.18

	Units	Unmeasured	Measured	Total
Property and meter numbers – at end of year (31 March)				
4R.17 Total new residential properties connected in year	000s	-	2.03	2.03
4R.18 Total number of new business properties connections	000s	-	-	-
4R.19 Residential properties billed at year end	000s	92.37	182.83	275.20
4R.20 Residential properties unbilled at year end	000s			-
4R.21 Residential void properties at year end	000s	3.91	7.01	10.92
4R.22 Total connected residential properties at year end	000s	96.28	189.84	286.11
4R.23 Business properties billed at year end	000s	1.78	10.65	12.42
4R.24 Business properties unbilled at year end	000s			-
4R.25 Business void properties at year end	000s	0.46	0.95	1.41
4R.26 Total connected business properties at year end	000s	2.23	11.60	13.83
4R.27 Total connected properties at year end	000s	98.51	201.44	299.94

	Units	Water
Population data		
4R.28 Resident population	000s	745.894
4R.29 Business population	000s	0

	Units	Water		Total
	Units	Resident population	Non-resident population	
Household population data				
4R.30 Household population	000s	726.581	10.98	737.561
4R.31 Household measured population (water only)	000s	457.954	6.955	464.909
4R.32 Household unmeasured population (water only)	000s	268.626	4.025	272.651

5A – Water resources asset and volumes data

for the 12 months ended 31 March 2022

		Units	Total
Water resources			
5A.1	Water from impounding reservoirs	MI/d	0.00
5A.2	Water from pumped storage reservoirs	MI/d	26.76
5A.3	Water from river abstractions	MI/d	0
5A.4	Water from groundwater works, excluding managed aquifer recharge (MAR) water supply schemes	MI/d	146.01
5A.5	Water from artificial recharge (AR) water supply schemes	MI/d	0
5A.6	Water from aquifer storage and recovery (ASR) water supply schemes	MI/d	0
5A.7	Water from saline abstractions	MI/d	0
5A.8	Water from water reuse schemes	MI/d	0
5A.9	Number of impounding reservoirs	nr	0
5A.10	Number of pumped storage reservoirs	nr	1
5A.11	Number of river abstractions	nr	0
5A.12	Number of groundwater works excluding managed aquifer recharge (MAR) water supply schemes	nr	68
5A.13	Number of artificial recharge (AR) water supply schemes	nr	0
5A.14	Number of aquifer storage and recovery (ASR) water supply schemes	nr	0
5A.15	Number of saline abstraction schemes	nr	0
5A.16	Number of reuse schemes	nr	0
5A.17	Total number of sources	nr	69
5A.18	Total number of water reservoirs	nr	1
5A.19	Total volumetric capacity of water reservoirs	MI	10018
5A.20	Total number of intake and source pumping stations	nr	40
5A.21	Total installed power capacity of intake and source pumping stations	kW	0
5A.22	Total length of raw water abstraction mains and other conveyors	km	0
5A.23	Average pumping head – raw water abstraction	m.hd	0
5A.24	Energy consumption – water resources (MWh)	MWh	0
5A.25	Total number of raw water abstraction imports	nr	0
5A.26	Water imported from 3rd parties to raw water abstraction systems	MI/d	0
5A.27	Total number of raw water abstraction exports	nr	0
5A.28	Water exported to 3rd parties from raw water abstraction systems	MI/d	0
5A.29	Water resources capacity (measured using water resources yield)	MI/d	207.89

5B – Water resources operating cost analysis

for the 12 months ended 31 March 2022

	Units	Impounding Reservoir	Pumped Storage	River Abstractions	Groundwater, excluding MAR water supply schemes	Total	
5B.1	Power	£k	-	-	98	1,629	1,727
5B.2	Income treated as negative expenditure	£k	-	-	-	-	-
5B.3	Abstraction charges/ discharge consents	£k	-	-	1	497	498
5B.4	Bulk supply	£k	-	-	-	-	-
Other operating expenditure							
5B.5	Renewals expensed in year (Infrastructure)	£k	-	-	-	-	-
5B.6	Renewals expensed in year (Non-Infrastructure)	£k	-	-	-	-	-
5B.7	Other operating expenditure excluding renewals	£k	371	-	212	1,274	1,857
5B.8	Local authority and Cumulo rates	£k	-	-	685	121	806
5B.9	Total operating expenditure (excluding 3rd party)	£k	371	-	996	3,521	4,888

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

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

for the 12 months ended 31 March 2022

	Units	Input		
Raw water transport and storage				
6A.1	nr	0		
6A.2	MI	0		
6A.3	nr	1		
6A.4	kW	396		
6A.5	km	9.35		
6A.6	m.hd	19.22		
6A.7	MWh	3100.230		
6A.8	nr	0		
6A.9	MI/d	0.00		
6A.10	nr	0		
6A.11	MI/d	0.00		
6A.12	km	3.09		
			Surface water	Ground water
			Water treated	Number of works
			MI/d	nr
			Water treated	Number of works
			MI/d	nr
Water treatment – treatment type analysis				
6A.13		0.00	0	0
6A.14		0.00	0	0
6A.15		0.00	0	0
6A.16		0.00	34.40	4
6A.17		0.00	106.91	3
6A.18		27.14	0.00	0
6A.19		0.00	0	0
			% of total DI	Number of works
			DI	nr
Water treatment – works size				
6A.20		0.0	0	
6A.21		0.0	0	
6A.22		0.0	1	
6A.23		2.7	1	
6A.24		2.1	1	
6A.25		44.1	3	
6A.26		51.1	2	
6A.27		0.0	0	
			Units	Input
Water treatment – other information				
6A.28	MI/d	0.00		
6A.29	nr	0		
6A.30	000's	745.894		
6A.31	m.hd	19.87		
6A.32	MWh	16932.483		
6A.33	nr	0		
6A.34	MI/d	0.00		
6A.35	nr	0		
6A.36	MI/d	0.00		

6B – Treated water distribution – assets and operations

for the 12 months ended 31 March 2022

	Units	Input	
Assets and operations			
6B.1	Total installed power capacity of potable water pumping stations	kW	12891
6B.2	Total volumetric capacity of service reservoirs	MI	366.8
6B.3	Total volumetric capacity of water towers	MI	5.1
6B.4	Distribution input	MI/d	162.08
6B.5	Water delivered (non-potable)	MI/d	0.00
6B.6	Water delivered (potable)	MI/d	146.48
6B.7	Water delivered (billed measured residential properties)	MI/d	73.51
6B.8	Water delivered (billed measured businesses)	MI/d	20.13
6B.9	Total annual leakage	MI/d	21.14
6B.10	Distribution losses	MI/d	12.94
6B.11	Water taken unbilled	MI/d	5.09
6B.12	Proportion of distribution input derived from impounding reservoirs	Propn 0 to 1	0.000
6B.13	Proportion of distribution input derived from pumped storage reservoirs	Propn 0 to 1	0.161
6B.14	Proportion of distribution input derived from river abstractions	Propn 0 to 1	0.000
6B.15	Proportion of distribution input derived from groundwater works, excluding managed aquifer recharge (MAR) water supply schemes	Propn 0 to 1	0.839
6B.16	Proportion of distribution input derived from artificial recharge (AR) water supply schemes	Propn 0 to 1	0.000
6B.17	Proportion of distribution input derived from aquifer storage and recovery (ASR) water supply schemes	Propn 0 to 1	0.000
6B.18	Proportion of distribution input derived from saline abstractions	Propn 0 to 1	0.000
6B.19	Proportion of distribution input derived from water reuse schemes	Propn 0 to 1	0.000
6B.20	Total number of potable water pumping stations that pump into and within the treated water distribution system	nr	33
6B.21	Number of potable water pumping stations delivering treated groundwater into the treated water distribution system	nr	7
6B.22	Number of potable water pumping stations delivering surface water into the treated water distribution system	nr	1
6B.23	Number of potable water pumping stations that re-pump water already within the treated water distribution system	nr	24
6B.24	Number of potable water pumping stations that pump water imported from a 3rd party supply into the treated water distribution system	nr	1
6B.25	Total number of service reservoirs	nr	29
6B.26	Number of water towers	nr	5
6B.27	Energy consumption – treated water distribution (MWh)	MWh	25878.652
6B.28	Average pumping head – treated water distribution	m.hd	100.57
6B.29	Total number of treated water distribution imports	nr	1
6B.30	Water imported from 3rd parties to treated water distribution systems	MI/d	0.00
6B.31	Total number of treated water distribution exports	nr	3
6B.32	Water exported to 3rd parties from treated water distribution systems	MI/d	0.43

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

for the 12 months ended 31 March 2022

	Units	Input
Treated water distribution – mains analysis		
6C.1 Total length of potable mains as at 31 March	km	3521.7
6C.2 Total length of potable mains relined	km	0.0
6C.3 Total length of potable mains renewed	km	8.1
6C.4 Total length of new potable mains	km	5.3
6C.5 Total length of potable water mains (≤ 320 mm)	km	3303.1
6C.6 Total length of potable water mains (> 320 mm and ≤ 450 mm)	km	104.7
6C.7 Total length of potable water mains (> 450 mm and ≤ 610 mm)	km	78.6
6C.8 Total length of potable water mains (> 610 mm)	km	35.4
Communication pipes		
6C.9 Number of lead communication pipes	nr	100813
6C.10 Number of galvanised iron communication pipes	nr	4827
6C.11 Number of other communication pipes	nr	116549
		0
Treated water distribution – mains age profile		
6C.12 Total length of potable mains laid or structurally refurbished pre-1880	km	20.3
6C.13 Total length of potable mains laid or structurally refurbished between 1881 and 1900	km	300.2
6C.14 Total length of potable mains laid or structurally refurbished between 1901 and 1920	km	249.2
6C.15 Total length of potable mains laid or structurally refurbished between 1921 and 1940	km	968.8
6C.16 Total length of potable mains laid or structurally refurbished between 1941 and 1960	km	261.7
6C.17 Total length of potable mains laid or structurally refurbished between 1961 and 1980	km	374.1
6C.18 Total length of potable mains laid or structurally refurbished between 1981 and 2000	km	635.0
6C.19 Total length of potable mains laid or structurally refurbished post 2001	km	712.4
Other		
6C.20 Company area	km ²	0
6C.21 Number of lead communication pipes replaced for water quality	nr	38
6C.22 Compliance Risk Index	nr	0.00
6C.23 Event Risk Index	nr	0

6D – Demand management – Metering and leakage activities

for the 12 months ended 31 March 2022

	Units	Basic meter	AMR meter	AMI meter
Metering activities – Totex expenditure				
6D.1	£m	0.950	0.237	–
6D.2	£m	1.188	0.297	–
6D.3	£m	–	–	–
6D.4	£m	0.386	0.096	–
6D.5	£m	0.008	0.002	–
Metering activities – Explanatory variables				
6D.6	000s	2.72	0.68	–
6D.7	000s	3.59	0.90	–
6D.8	000s	–	–	–
6D.9	000s	8.29	0.92	–
6D.10	000s	0.16	0.04	–
6D.11	MI/d	0.48	0.12	–
6D.12	MI/d	–	–	–
6D.13	MI/d	–	–	–
6D.14	MI/d	–	–	–
6D.15	%	54.1	13.5	–
Leakage activities				
6D.16	£m	3.927	3.702	7.629
6D.17	MI/d	0	0	2.3
Per capita consumption (excluding supply pipe leakage)				
6D.18	l/h/d	149.19		
6D.19	l/h/d	155.53		

Tables in Section 7 and Section 8 are only applicable to those who provide wastewater and bio-resource services so have therefore been omitted.

9A – Demand management – Innovation competition

for the 12 months ended 31 March 2022

	Units	Current Year
Allowed		
9A.1	£k	217.08
Revenue collected for the purposes of the innovation competition		
9A.2	£k	217.08
9A.3	£k	–
9A.4	£k	–
9A.5	£k	10.64
9A.6	£k	–

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

SES Water has paid out £10.64k in the year regarding innovation competitions. The £10.64k is in relation to the Innovation in Water Challenge Settlement Agreement.

Tables in Section 10 are only applicable to companies participating in the Green Recovery, so have therefore been omitted.

11A – Operational greenhouse gas emissions

for the 12 months ended 31 March 2022

	Units	Total
Scope one emissions		
11A.1 Burning of fossil fuels	tCO ₂ e	642.000
11A.2 Process and fugitive emissions	tCO ₂ e	0.000
11A.3 Vehicle transport	tCO ₂ e	421.000
11A.4 Total scope one emissions	tCO ₂ e	1063.000
11A.5 Scope one emissions; GHG type CO ₂	tCO ₂ e	1050.000
11A.6 Scope one emissions; GHG type CH ₄	tCO ₂ e	0.800
11A.7 Scope one emissions; GHG type N ₂ O	tCO ₂ e	10.500
Scope two emissions		
11A.8 Purchased electricity – location based	tCO ₂ e	12200.000
11A.9 Purchased electricity – market based	tCO ₂ e	0.000
11A.10 Purchased heat	tCO ₂ e	0.000
11A.11 Electric vehicles	tCO ₂ e	6.650
11A.12 Removal of electricity to charge electric vehicles at site	tCO ₂ e	-6.650
11A.13 Total scope two emissions	tCO ₂ e	12200.000
11A.13		
11A.14 Scope two emissions; GHG type CO ₂	tCO ₂ e	12100.000
11A.15 Scope two emissions; GHG type CH ₄	tCO ₂ e	37.800
11A.16 Scope two emissions; GHG type N ₂ O	tCO ₂ e	72.000
Scope three emissions		
11A.17 Business travel	tCO ₂ e	22.300
11A.18 Outsourced activities	tCO ₂ e	663.000
11A.19 Purchased electricity; transmission and distribution – location based	tCO ₂ e	0.000
11A.20 Purchased electricity; transmission and distribution – market based	tCO ₂ e	1050.000
11A.21 Purchased heat; transmission and distribution	tCO ₂ e	0.000
11A.22 Total scope three emissions	tCO ₂ e	1735.300
11A.22		
11A.23 Scope three emissions; GHG type CO ₂	tCO ₂ e	1720.000
11A.24 Scope three emissions; GHG type CH ₄	tCO ₂ e	3.240
11A.25 Scope three emissions; GHG type N ₂ O	tCO ₂ e	15.500
Gross operational emissions (Scope 1,2 and 3)		
11A.26 Gross operational emissions – location based	tCO ₂ e	15000.000
11A.27 Gross operational emissions – market based	tCO ₂ e	2800.000
Emissions reductions		
11A.28 Exported renewables	tCO ₂ e	0.000
11A.29 Exported biomethane	tCO ₂ e	0.000
11A.30 Green tariff electricity offsets	tCO ₂ e	0.000
11A.31 Other emissions reductions	tCO ₂ e	0.000
11A.32 Total emissions reductions	tCO ₂ e	0.000
Net annual emissions		
11A.33 Net annual emissions – location based	tCO ₂ e	0.000
11A.34 Net annual emissions – market based	tCO ₂ e	2800.000
11A.35 Net annual emissions	tCO ₂ e	2800.000
GHG intensity ratios		
11A.36 Emissions per Ml of treated water	kgCO ₂ e/Ml	45.590

Notes to the regulatory accounts

1 – Transactions with associated companies

Services provided by the Company and recharged to associated companies

Associate company	Company principal activity	Service provided	Turnover of associate during 21/22	Terms of supply	Value (£000)
Allmat (East Surrey) Ltd	Builders merchant	Rent of land	2,666,761	Other market testing	71
Allmat (East Surrey) Ltd	Builders merchant	Management services	2,666,761	Actual costs	6
Advanced Minerals Ltd	Mineral processing	Sale of water treatment	2,104,431	Actual costs	33
Sutton and East Surrey Water Services Ltd	Non Household water retailer	Management services	51,551,459	Actual costs	74
Sutton and East Surrey Water Services Ltd	Non Household water retailer	Meter reading	51,551,459	Actual costs	25
Sutton and East Surrey Water Services Ltd	Non Household water retailer	Wholesale water	51,551,459	Market code	5,672
Total value of services provided by the Company					5,881

Services provided to the Company by associated companies

Associate company	Company principal activity	Service provided	Turnover of associate during 21/22	Terms of supply	Value (£000)
Allmat (East Surrey) Ltd	Builders merchant	Materials for maintenance	2,666,761	Actual cost	3
Advanced Minerals Ltd	Mineral processing	Waste disposal	2,104,431	Actual cost	29
Sutton and East Surrey Water Services Ltd	Plumbing repairs	Leak repairs	51,551,459	Competitive tendering	352
Sutton and East Surrey Water Services Ltd	Plumbing repairs	Water efficiency services	51,551,459	Competitive tendering	221
Total value of services provided to the Company					605

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

A dividend of £3,517,000 (2021: £4,910,000) was paid through SESW Holding Company Ltd to East Surrey Holding Ltd. Of this £2,917,000 is related to the appointed business.

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

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SES Water is a trading name of
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