



Annual Performance Report 2021



Who we are

We supply around 160 million litres of clean water each day to over 700,000 people in parts of Surrey, West Sussex, Kent and South London.

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Read more in our Annual Report and Financial Statements 2021

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Introduction



Paul Kerr
Chief Financial Officer

At SES Water we pride ourselves on being a local water supplier providing an essential public service while playing an active role in the communities that we are privileged to serve.

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 environment.

Our Annual Performance Report (APR) should be read alongside our Annual Report and Financial Statements 2021 (Annual Report) 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 first year of our Business Plan for 2020 to 2025, table 3 of our regulatory accounts show our operational and customer performance to year ended March 2021. We have also included our regulatory accounts and other regulatory tables. In previous years we have published our financial and regulatory performance in one Annual Report, however this year we have separated out the regulatory information to ensure this is all available clearly and concisely in one place.

“Given the challenges that the industry has faced during the pandemic it was important for us to ensure that the appropriate support was available to our customers when they needed it the most.”

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.

Performance highlights include:

A continued focus on vulnerable customers means that we are now helping in more ways than ever before, including more than 12,000 customers registered on our Priority Services Register and more than 20,000 people in receipt of the Water Support Scheme which provides a 50% bill discount to those in financial hardship. More than 90% of customers think the additional support in place is helpful.

We have stayed at or below the maximum allowed level of leakage every year since the target was first set over 20 years ago.

Our bursts target has been met again this year, which reflects the general good health of the network and the work that goes into maintaining it.

There were just 401 contacts in 2020 from customers about the taste, smell or appearance of their water, which is upper quartile industry performance.

Even with more employees working remotely, over 80% of contacts from customers were resolved ‘first time’.

The Wildlife Trusts’ Biodiversity Benchmark for enhancing and protecting animal and plant life was achieved at Elmer Water Treatment Works and SES Water is now the only water company to hold the award.

The focus on the environment continued with no category one or two pollution incidents and a further reduction in greenhouse gas emissions

We’ve worked hard to make progress against some stretching targets in our plan, but there are areas where we must improve too. Water use has soared in the last year with more people at home, making our target to reduce household consumption much more challenging. We also missed our target for water supply interruptions, due to a single large burst last summer. While we did not meet our target of our C-MeX score being in the top quartile of the industry, we have made steady progress up the industry league table and are the most improved company for the customer satisfaction element. We also have more to do to improve the service for our developer customers through the D-MeX industry metric.

Above all, the past year has highlighted the unwavering commitment of all our staff and we will continue to rise to the challenges ahead and provide great service for our customers, who we are privileged to serve.

Paul Kerr
Chief Financial Officer

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

Our intent in this unprecedented year was to ensure that no one needed to worry about their water supply and we worked tirelessly across SES Water to ensure that this happened.

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 environment. As a Board we have maintained our commitment to this throughout the pandemic. We are proud of the way that our people have continued to deliver our core service safely in challenging circumstances. We have also invested in areas such as the development of our education programme with a focus on water efficiency, the ongoing protection and creation of local employment, and charitable donations to local community organisations.

We recognise that our purpose must adapt to meet the evolving needs of our customers, communities, employees and wider stakeholder groups now and into the future. The past year has seen many of our assumptions as a society change and expectations of the role of business have changed with them. With the Board's support, the Company has therefore taken this opportunity to undertake a review of its existing purpose to ensure that we remain a force for good as well as a responsible business long into the future.

We have partnered with the brand purpose agency Given to build a collaborative process and take advantage of its cross-sector experience, working with a group of colleagues from across the business to oversee the project. All of our people have had the opportunity to participate through a series

of workshops and many have contributed. We have conducted focus groups with a number of different customer groups, including bill payers of the future, and with a range of local organisations, such as Citizens Advice Bureaux, Housing Associations and charities. We have engaged with our Customer and Environmental Scrutiny Panels and have reviewed the progress regularly as a Board. This work will continue into the coming year and will set the guidelines for the investments and decisions that we make for the long term.

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.

Alongside the significant involvement from customers in developing our strategy, and the plan to deliver it, we have consulted on the views of other stakeholders at a local, regional and national level. Board members regularly directly engage with Government, regulators and industry forums like Water Resources South East. Over the last year Board members also attended meetings of the Customer Scrutiny Panel and Environmental Scrutiny Panel to seek an independent view of their interaction with the executive team in reviewing our future plans and how performance is reported.

Performance

Our Annual Report and Financial Statements 2021 summarises the progress we have made during the first year of our Business Plan for 2020 to 2025 – the most ambitious in our history. It also explains the challenges we have faced, particularly due to COVID-19, which has impacted many industries, 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:

- Bringing down household water consumption, which has dramatically increased this year with more people being at home. We plan to meter 90% of our customers by 2025, which is one of the most effective ways of helping our customers to understand more about their water usage and how they can be more water efficient
- Ensuring that those who are able to pay their bill do so and continue to provide a range of financial support options to customers facing financial hardship. Over 20,000 customers are now benefiting from our Water Support Scheme, which provides a bill discount, and our 'Here for you' campaign continues to ensure people are aware of the help that is available
- Continuing to target our investment in the areas that will deliver the most benefit to the

communities we serve and the environment that we all rely upon. This last year we have worked toward the introduction of a major new billing system expected to go live later in 2021, which will be instrumental in improving our interaction with customers and provides a platform for better digital experiences in the future. We have also completed the upgrade to Elmer Treatment Works in Leatherhead to ensure that this critical infrastructure is capable of continuing to supply over 150,000 people with high-quality drinking water for many years to come

- Continuing to build on our consistent track record on leakage reduction with a particular focus on using innovative technology to make our network a lot smarter so we are able to more than halve the amount of water lost from both our assets and our customers' pipes by 2050
- Improving the service we provide to all the customer groups we serve, including households, businesses, retailers and developers. We know we have a lot more to do in this area but the progress made this year across some key performance metrics is encouraging and shows the improvements and investments being made are making a positive difference.

In addition to the summary of performance provided in this report, the Board reviews the performance of the Company on a monthly basis. To assure 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 on pages 74 to 76 of the Corporate governance report in our Annual Report. This internal controls systems ensures the production of both internal and external information by management, through an effective control environment, rigorous risk assessment process, accurate information system (which produces both financial and non-financial data), documented control procedures and an overall

monitoring system to assess the accuracy and completeness of internally generated data (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 Water Resource Management Plans, cyber security and leakage plans
- Utilises external parties where necessary to supplement the aforementioned 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.

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
- '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 and Financial Statements 2021
- 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.

Being a responsible business

We welcome the robust scrutiny that comes with being in a highly regulated industry delivering an essential service to the public and 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 and Financial Statements 2021, ensuring details about how we have performed are particularly clear and accurate. It also includes information about how we spend the money we receive from 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



We are proud of the way that our people have continued to deliver our core service safely in challenging circumstances.

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
Purpose, values and culture The regulated Company Board establishes the Company's purpose, strategy and values, and is satisfied that these and its culture reflect the needs of all those it serves	
The Board develops and promotes the Company's purpose in consultation with a wide range of stakeholders and reflecting its role as a provider of an essential public service	We have noted at the start of this annual statement the work that the Board promotes 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 2020/21, an external party was also engaged to help the Company define, enhance and embed its purpose, and has engaged directly with management and the Board
The Board makes sure that the Company's strategy, values and cultures are consistent with its purposes	
The Board monitors and assesses values and culture to satisfy itself that behaviours throughout the business are aligned with the Company's purpose. Where it finds misalignment, it takes corrective actions	
The Company's annual reporting explains the Board's activities and any corrective actions taken. It also includes an annual statement from the Board focusing on how the Company has set its aspirations and performed for all those it serves	As noted in both our Corporate governance report (in the Annual Report and Financial Statements 2021), 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
Standalone regulated Company The regulated Company has an effective Board with full responsibility for all aspects of the regulated Company's business for the long term	
The regulated Company sets out any matters that are reserved for shareholders or parent companies (where applicable) and explains how these are consistent with the Board of the regulated Company having full responsibility for all aspects of the regulated Company's business; including the freedom to set, and accountability for, all aspects of the regulated Company strategy	Similar to the prior year, we have included expanded disclosures in this year's Annual Report and Financial Statements 2021 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
Board committees, including but not limited to Audit, Remuneration and Nomination Committees, report into the Board of the regulated Company, with final decisions made at the level of the regulated Company	As noted in the Corporate governance report, all committees report into the Board of the regulated entity and final decisions are made at the regulated Company level
The board of the regulated Company is fully focused on the activities of the regulated Company; takes action to identify and manage conflicts of interest, including those resulting from significant shareholding; and ensures that the influence of third parties does not compromise or override independent judgement	Our Corporate governance report discusses in detail the focus of the regulatory Company Board, and how Board matters are discussed and reviewed utilising the skills and objectivity of the entire Board, with no areas of judgement being compromised by the influence of third parties. This includes the Board's monitoring of directors' interests and potential transactions with associated companies

Ofwat objective and underlying provisions

Board's view

Board leadership and transparency

The Board leadership and approach to transparency and governance matters engender trust in the regulated Company and ensure accountability for its 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 13 of the Annual Report and Financial Statements 2021

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

This is contained within the Directors' report in the Annual Report, and has been updated following comments received from Ofwat during its most recent Board Leadership, Transparency and Governance (BLTG) reports on enhancing the 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 Statements 2021

The Annual Report and Financial Statements 2021 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 2021.

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 2021. An updated remuneration policy is presented this year, based on feedback received from Ofwat during its review of the Company's 2020 Annual Report to enhance the connection between customer service and long-term incentive plan metrics

Leadership, transparency and governance

Continued

Ofwat objective and underlying provisions	Board's view
Board structure and effectiveness Board and its committees are competent, well run and have sufficient independent membership, ensuring they can make high-quality decisions that address diverse customers and stakeholder needs	
The Board and Board committees have an appropriate balance of skills, experience, independence and knowledge of the Company. The Board identifies what customer and stakeholder expertise is needed in the Boardroom and how this need is addressed	As noted in our Corporate governance and Nomination Committee reports, in the Annual Report and Financial Statements 2021, 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, while our Chairman was not independent upon appointment, the Board has judged that he is independent in character and action, and there is explicit division of responsibilities
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 overarching 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 2021, an evaluation of Board effectiveness is performed every two years which we believe is appropriate to a company of our size. In 2020/21, this effectiveness review has been facilitated by an external party, the results of which are documented in the Annual Report
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 2021
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 both of our 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

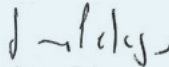
Consideration of Ofwat's recent Board Leadership, Transparency and Governance report

Ofwat's latest BLTG report was issued in February 2021 and, while the Company was only mentioned once the report (in connection with enhanced LTIP disclosures as noted above), the Board has considered the guidance provided by Ofwat in this updated report, 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 aspects of its business for the long term	The Board has formally reviewed these reserved matters again in 2020/21 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 2021

Areas for improvement and focus	Board's view
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 2020/21, the Corporate governance report, within the Annual Report and Financial Statements 2021, 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 incentive stretching performance delivery for customers	This linkage between LTIP incentivisation and customer delivery has been strengthened in the updated executive pay policy as documented in the Remuneration Committee report, within the Annual Report and Financial Statements 2021
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 2020/21 is provided in the Directors' report, within the Annual Report and Financial Statements 2021
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 13 of the Annual Report and Financial Statements 2021, 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 2021, 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 Ltd
Continue with external Board effectiveness exercises, revisiting recommendations from prior evaluation and actions taken	We continue to utilise a third party every two years to perform an external Board effectiveness review, as documented in the Corporate governance report, within the Annual Report and Financial Statements 2021, with prior year recommendations also revisited
Consider diversity in the broadest sense when making decisions relating to the membership of the Board and its committees, ensuring the Company is equipped to make decisions that meet the needs of all employees	We have published our equality, diversity and inclusion policy in 2020/21, 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 2021:

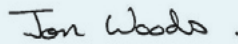

Jeremy Pelczer
Chairman


Ian Cain
Chief Executive Officer


Paul Kerr
Chief Financial Officer


Murray Legg
Senior Independent Director


Dave Shemmans
Non-executive director


Jon Woods
Non-executive director


Seiji Kitajima
Non-executive director


Kenji Oida
Non-executive director


Ken Kageyama
Non-executive director

Impacts of COVID-19 on our performance

While the first year of AMP 7 was always going to be challenging based on our stretching business plan, the COVID-19 pandemic has resulted in additional issues for the Company to address. The impact of COVID-19 has been widespread across the world, in all industries and sectors. Within the water industry and more specifically within SES Water we have seen a significant impact across both operational and financial performance.

1. Operational performance

Per capita consumption (PCC)

The PCC targets originally set in the business plans has not been met due to the effect of COVID-19 on household water consumption as detailed below.

Firstly, consumption has shifted from non-household to household due to the need for home working and home schooling during the lockdown, with many of our customers that would normally commute outside of our supply area (such as into London) unable to do so. As 85% of our consumption is from household customers, an increase in consumption by this group of customers significantly drives up per capita consumption. Work compiled by Artesia for a number of water companies indicated the COVID-19 only impact on PCC (i.e. excluding the impact of dry weather last year) for SES Water was an increase of more than 12% on prior year. With some form of home working or hybrid working set to continue in the future, it will be a significant challenge to meet our original target in the coming years. Secondly, householders used more water as part of outdoor activities (e.g. gardening) and through not being able to go on holiday, both of which contributed to increased demand in the summer months in particular.

Finally, our metering and water efficiency activities were both constrained by the impacts of the lockdown restrictions alongside general anxiety of customers to allow visits inside the home (something we attempted to mitigate by launching the first online, virtual water efficiency

tool in the sector) and therefore contributed less to the planned reduction in household consumption.

Customers concerns about their water (taste, odour and discolouration contacts)

We received 35 contacts above the target of 366 Contacts (at 0.56 contacts per 1000 consumers against a target of 0.51 contacts per 1000 consumers). We consider the most significant underlying reason for the exceedance of target was the increased water demand and increased population working from home during COVID-19 with customers not travelling to their normal workplace. A large percentage of our population historically commuted into London, or out of area, daily. Therefore, this meant that customers were at their property for a greater period of time and had greater potential for visibility of discoloured water or issues with their own customer side plumbing that were not envisaged when the target was established.

In addition, the following points are relevant:

- The increased home working led to an increase in the number of contacts regarding customer side issues (such as issues within their property that were not directly linked to the cold water supplied by SES Water). Under the rule of the Performance commitment the 'General Conditions' contacts are included under the appearance category. In 2020 there were 56 contacts regarding General Conditions. This is against a five-year average of 43 (or a ten-year average of 33). Therefore,

it is our belief that there were at least an additional 13 water quality contacts associated with customer issues linked to the increase in home working.

- The increased demand led to an increased number of discolouration contacts, at 137 contacts against a five-year average of 126. We do accept that our network should be able to withstand flow changes due to changing demand patterns, but the tight target was not determined under these conditions
- If the additional 13 'General condition' contacts were removed from our Performance commitment number this would reduce to 388 contacts, or 0.54 contacts per 1000 consumers. Our PC penalty would reduce from the current £39,800 to £23,880. If the additional 11 contacts due to discolouration were also taken into account our PC would be 377 contacts or 0.53 contacts, with a penalty of £15,920.

Despite generating a performance commitment penalty, our performance remains industry leading, even when compared to companies that generated a reward for a poorer performance.

Leakage

While we met our year 1 leakage target based on the three-year rolling average, we were unable to make as many in-roads on this Performance Commitment (PC) as we intended (despite the ability to deploy a several new techniques as part of our AMP7 leakage strategy) owing to the extent of lockdowns in place during the year.

With curtailment in several field activities in the first lockdown from March to July 2020, and repeated lockdowns in October/November 2020 and from January 2021 through the end of the year, alongside the impact of COVID-19 cases and self isolation within our workforce and supply-chain, our ability to undertake active leakage control optimally – in terms of the extent and the cycle times of dealing with leaks – was impacted. Importantly, our ability to tackle customer-side leaks was particularly affected.

Overall, while our target has been met for the year, it does present significant challenges for year 2 in terms of the level of reduction required in this period to continue to meet the three-year rolling average.

Reduction in number of void non-household properties

Our target for voids – which comprises both household and non-household properties – has been missed in the year. The extent of this has been influenced by the effects of COVID-19 on our non-household customers in the year, many of whom have closed either temporarily or permanently their businesses. At times during the past 12 months, temporary vacancy flags existed on up to 30% of non-household properties within our operating area – over four times the normal level.

Risk of supply failures

Our performance commitment for the year required an increase in the number of customers connected to two treatment works. This was planned to be delivered via the construction of a short section of strategic main connecting two supply areas. However, the work required the shutdown for a number of weeks of a major arterial route into London.

Despite planning the work to take place during lockdown – when traffic was significantly lighter, and several effected businesses were temporarily closed – we were unable to gain agreement from all local stakeholders to conduct the work as planned. Concern was raised regarding the anxiety caused to local residents as a result of conducting this towards the end of the first lockdown in May 2020.

As such, we have had to reschedule this work to the summer holidays in 2023.

Water softening

We fell short on our softening performance commitment due to the prolongation of extensive and essential capital investment at one of our treatment works. Elmer Water Treatment Works is one of our larger softening sites, and project work was commenced in the last year of AMP6, with an expected duration of around 15-18 months.

This work – essential to the ongoing provision of high-quality softened water for years to come – was complex in nature by virtue of the requirement to continue to run the core treatment processes throughout the refurbishment works. The health and safety precautions and restrictions applied during the pandemic, along with the disruption to supply chains for similar reasons, caused extensive delay in the completion of this work.

Power usage

As noted in the section below, we are also seeing more specific cost pressures in the UK because of COVID-19. One key example of this is in the cost of electricity, with distributors looking to recoup lost revenue from the partially moth-balled industrial sector from those who have continued to use power through the pandemic. With water companies supplying higher volumes of water over this time period and beyond, the sector will be hit with these additional third party (transmission and distribution) costs. SES Water has a particularly intensive energy demand owing to the topography of the area it serves and its mix of water resources, and so will be heavily impacted in this area.

2. Financial performance

The financial year ended 31 March 2021 was a challenging year for all businesses as a result of the COVID-19 pandemic. However, SES Water has remained financially resilient, while still being able to deliver for our customers throughout the year. In the year, more than 20,000 customers benefitted from our Water Support Scheme and was significantly above our target of c13,000 customers. In response to the pandemic, we launched our payment holiday programme 'Breathing Space'.

Revenue from customer bills was impacted by COVID-19 lockdowns with higher domestic usage for our measured customers mitigating to a degree the more significant decline in non-household consumption

driven by the temporary or permanent closure the hospitality and commercial sector due to the national lockdowns. The higher domestic usage did further increase our power costs as we spent more money treating and pumping water across our network. Total revenue has decreased by £4.0 million (6%) to £65.8 million (2020: £69.8 million) due primarily to this reduction in demand from businesses as a result of COVID-19 (down 32% to £7.4 million from £10.9 million in prior year).

In addition to the lower demand from our non-household customers – under the requirements set out by the retail market operator "MOSL" SES Water provided delayed payment terms to its retail customers to support during the first lockdown.

Given the difficult economic situation our bad debt cost increased due to lower cash collections from our household customers.

During the year we continued to invest in our capital programme, with capital expenditure of £26.5 million which was lower than our FD allowance driven by the COVID-19 lockdowns curtailing some of our metering and mains replacement activity.

Supply chain

Several COVID-19 related effects are now starting to impact the supply-chain of many sectors, water included, with general tightness caused by a range of factors. Alongside COVID-19, these factors include the aftereffects of Brexit and the temporary blockage of the Suez Canal earlier in 2021.

Disruption at ports around the world caused by waves of demand have been created by the removal or reduction in COVID restrictions internationally and significant governmental stimulus packages (particularly in the USA). In turn, with demand spiralling, the impacts of costs for commodities rising in some cases by 300% will eventually impact supply chains for the water sector: this type of cost inflation will manifest itself in construction indices such as COPI, and not in general inflation such as CPI-H.

Statement of directors' responsibilities

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 financial resources and facilities 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 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 to the Company, to ensure that it is able to meet its obligations as a water undertaker

Evidence considered by the Board

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

Financial resources and facilities

- The budget and capital expenditure programme for 2021/22 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 Statements 2021. This included:
 - An assessment of the Company's current and projected cash positions
 - Availability committed borrowing and overdraft facilities under its £50m 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
 - The Company's performance against the first year 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 2021

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 policies 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 in the 2021/22 year, such as the customer relationship management and billing system implementation

- 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 2021/22 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 resilience plans reviewed as part of the PR19 process
- 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 to 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.

PwC, the Company's external auditor, has issued a separate opinion on the above certificate of adequacy to Ofwat as noted on page 16 of this Annual Performance Report.

(2) Statement on sufficiency of non-financial resources

The directors confirm on page 102 of the directors' report in the Annual Report and Financial Statements 2021 that as at 31 March 2021 the Company was in compliance with paragraph 14 of Condition P of its Instrument of Appointment, ensuring that the Company has sufficient rights and resources 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 107 to 113 of the Annual Report and Financial Statements 2021) confirms that the Strategic and directors' reports, included within this Annual Report and Financial Statements 2021, have been prepared in accordance

Statement of directors' responsibilities

continued

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 the majority of our commitments under the five aims in our Business Plan have been met as summarised on pages 16 to 18 in the Annual Report and Financial Statements 2021
- 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 48 and 49 in the Annual Report and Financial Statements 2021

- 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 2021.

Processes and systems of control

- The Company operates a system of internal control, described on pages 74 to 76 of the Corporate governance report in the Annual Report and Financial Statements 2021, 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 58 to 63 in the Strategic report of the Annual Report and Financial Statements 2021

- 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 2030 has been considered and is described in the long-term viability statement on pages 77 to 79 in the Corporate governance report of the Annual Report and Financial Statements 2021

(4) Additional regulatory disclosures

The remuneration policy of directors and how this was applied in the year to 31 March 2021 is explained on pages 88 to 101 in the Remuneration Committee report of the Annual Report and Financial Statements 2021.

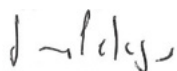
Each director confirms on page 105 of the directors' report in the Annual Report that the requirement in relation to provision of information to the Company's auditor has been met.

The dividend policy for the appointed business and how it has been applied is outlined in the directors' report on page 103 of the Annual Report and Financial Statements 2021.

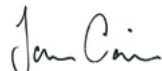
The tax strategy for the appointed business is the same as the strategy outlined for the Company on page 76 of the Corporate governance report in the Annual Report and Financial Statements 2021.

The long-term viability statement is included in the Annual Report's Corporate governance report on pages 77 to 79.

Signed on behalf of the Board on 15 July 2021:



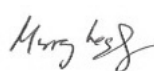
Jeremy Pelczar
Chairman



Ian Cain
Chief
Executive Officer



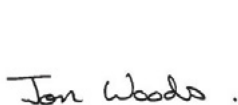
Paul Kerr
Chief
Financial Officer



Murray Legg
Senior Independent
Director



Dave Shemmans
Non-executive
director



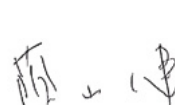
Jon Woods
Non-executive
director



Seiji Kitajima
Non-executive
director



Kenji Oida
Non-executive
director



Ken Kageyama
Non-executive
director

Board Statement on accuracy and completeness of data and information for the year-ended 31 March 2021

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.

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 2021.

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 2020-21 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.

Board Statement on accuracy and completeness of data and information for the year-ended 31 March 2021

continued

2. Risk management

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

3. Information systems

There is a comprehensive budgeting system with an annual budget approved by the Board. At each Board meeting, monthly trading results and key operational data, balance sheets and 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 Company consulted on a draft targeted assurance plan for 2020-21 and has published its final assurance plan on its website. The Audit Committee has reviewed the application of this targeted assurance plan and has reported its conclusions to the Board. This plan was developed after internal review and external consultation based on an initial plan, and we adhered to this final assurance plan as we completed our year-end work.

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 that in their opinion the Company:

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

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

- The Company has a Compliance Code in place (available on its website and distributed to all employees) which is reviewed annually and an internal audit is carried out to confirm compliance, including compliance with the requirement to trade with associates at arm's length
- Assurance has been provided that the Company has available to it sufficient financial and non-financial resources, as per the requirement in the Company's Instrument of Appointment
- The Company's regulatory accounts confirm that the Company maintains an investment grade credit rating
- Required regulatory disclosures have been made
- The independent auditors' report from PricewaterhouseCoopers LLP confirms that the Strategic and directors' reports, included within our APR, 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 2021:

1. Results of assurance work performed on non-financial data

As detailed in our Final Assurance Plan (as described under Ofwat's Company Monitoring Framework), the Board engaged Mott MacDonald to provide assurance over our key non-financial metrics, primarily the 2020-21 performance commitment outcomes.

The year-end assurance letter from Mott MacDonald is attached on our website and provides a clean opinion on our reported results of our performance commitments for 2020-21. A summary of Mott MacDonald'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 Mott MacDonald 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 performed on financial and regulatory data

In line with our Final Assurance Plan, PwC were engaged to provide assurance over the 2020-21 financial statements and required elements of the regulatory accounts. PwC's financial and regulatory audit opinions are contained in the APR as published on the Company's website. Both of these opinions were clean opinions on the Company's reported results, with the financial opinion giving specific details of area of focus for the audit during the year.

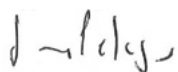
3. Assurance on the Company's certificate of adequacy

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 support.

Signed on behalf of the Board on 15 July 2021



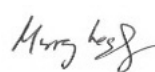
Jeremy Pelczer
Chairman



Ian Cain
Chief Executive Officer



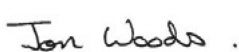
Paul Kerr
Chief Financial Officer



Murray Legg
Senior Independent Director



Dave Shemmans
Non-executive director



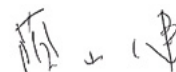
Jon Woods
Non-executive director



Seiji Kitajima
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

Report on the Regulatory Accounting Statements contained within the Annual Performance Report

Opinion on Annual Performance Report

In our opinion, Sutton and East Surrey Water Plc's Regulatory Accounting Statements within the Annual Performance Report (the Regulatory Accounting Statements) have been prepared, in all material respects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRa (RAG 1.09, RAG 2.08, RAG 3.12, RAG 4.09 and RAG 5.07) and the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.12, appendix 2) set out on page 22.

What we have audited

The sections of/tables within Sutton and East Surrey Water Plc's Annual Performance Report that we have audited ("the Regulatory Accounting Statements") 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 (tables 3A to 3I) and the additional regulatory information in tables 4A to 4R, 5A-5B, 6A-6D, 7A-7E, 8A-8D and 9A.

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 Annual Performance Report 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 3.12, 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. 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 purpose. Accordingly we make no such assessment. In addition, we are not required to assess whether the methods of cost allocation set out in the accounting methodology statement are appropriate to the circumstances of the Company or whether they meet the requirements of the WSRa.

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

The Regulatory Accounting Statements on pages 20 to 63 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 from Generally Accepted Accounting Practice 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

Our evaluation of the directors' assessment of the company's ability 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;
- 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 2021 to third-party confirmations and considering the Company's available financing and maturity profile
- 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 were authorised for issue.

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

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

Reporting on 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, except to the extent otherwise explicitly stated in our report, 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 this other information, we are required to report that fact.

We have nothing to report based on these responsibilities.

Responsibilities for the Annual Performance Report and the audit

Responsibilities of the Directors for the Annual Performance Report

As explained more fully in the Statement of Directors' Responsibilities set out on page 19, the directors are responsible for the preparation of the Annual Performance Report in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSR and the Company's accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.12, 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 these Regulatory Accounting Statements.

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

continued

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:

- 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 WSRA, 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.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the Regulatory Accounting Statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 2021 on which we reported on 2 July 2021, 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
The Portland Building
25 High Street
Crawley
RH10 1BG

15 July 2021

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
- 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 10 to 12
- 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 2021
- 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 63.

- 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 2021.

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 10 to 12 of the Annual Performance Report.

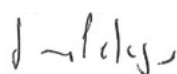
Disclosure of information to the auditor

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.

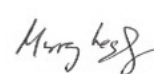
Signed on behalf of the Board on
15 July 2021



Jeremy Pelczer
Chairman



Ian Cain
Chief
Executive Officer



Murray Legg
Senior Independent
Director

Regulatory accounts 2021

The regulatory accounts and additional information which form part of this Annual Performance Report 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, 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 Annual Report and Financial Statements for the year ended 31 March 2021.

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 2021 there are no fundamental change in RAGs in terms of accounting principles for regulatory purposes. However, as this is the first year of the new 5-year price control cycle, the reporting format has changed compared to previous years to meet Ofwat's updated requirements.

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 onwards provide additional financial and non-financial information
- Tables 3F, 3I, 4B, 4L, and 4M are not published in this document due to their size.
- Tables 5A to 6D provide additional financial and non-financial information.
- Table 9A for innovation funding is not published this year as we do not start any expenditure yet.

1A – Income statement

for the 12 months ended 31 March 2021

	Statutory £000	Adjustments		Total adjustments £000	Total appointed activities £000
		Differences between statutory and RAG definitions £000	Non- appointed £000		
Revenue	65,819	(2,453)	(2,155)	(4,608)	61,211
Operating costs	(56,909)	(79)	449	370	(56,539)
Other operating income	2,202	-	-	-	2,202
Operating profit	11,112	(2,532)	(1,706)	(4,238)	6,874
Other income	-	3,178	-	3,178	3,178
Interest income	706	-	(1)	(1)	705
Interest expense	(7,950)	-	-	-	(7,950)
Profit before tax and fair value movements	3,868	646	(1,707)	(1,061)	2,807
Fair value gains/(losses) on financial instruments	-	-	-	-	-
Profit before tax	3,868	646	(1,707)	(1,061)	2,807
UK corporation tax	97	(123)	324	201	298
Deferred tax	(333)	-	-	-	(333)
Profit for the year	3,632	523	(1,383)	(860)	2,772
Dividends	(4,910)	-	600	600	(4,310)

The differences between statutory and Regulatory Accounting Guidelines (RAGs) are provided in the notes on page 22.

Tax analysis					
Current year	-	(123)	324	201	201
Adjustments in respect of prior years	97	-	-	-	97
UK Corporation tax	97	(123)	324	201	298

Analysis of non-appointed revenue					
Southern Water – Conveyancing Income	-	-	(46)	-	-
Garage Income	-	-	(160)	-	-
Thames Water – Commission & Conveyancing Income	-	-	(1,949)	-	-
Total	-	-	(2,155)	-	-

A reconciliation of actual tax payable to forecast tax in the PR19 Final Determination is provided in the notes on page 23.

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:

	2021 £000
Profit before tax	2,807
Tax charge using the UK corporation tax rate of 19%	533
Effects of:	
Capital allowances for the year exceeding depreciation	(403)
Insurance proceeds	(318)
Allowable depreciation on deferred revenue expenditure	(190)
Profit on disposal of fixed assets	(109)
Adjustment for pension contributions	(119)
Chargeable gains	405
Tax credit for current year	(201)
Adjustments in respect of prior years	(97)
Total current tax refund	(298)

1A – Income statement

continued

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://ar2021.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	(2,951)	(122)	79	768	(227)	(2,453)
Operating costs	-	122	(79)	(122)	-	(79)
Other operating income	-	-	-	-	-	-
Operating profit	(2,951)	-	-	646	(227)	(2,532)
Other income	2,951	-	-	-	227	3,178
Profit before tax	-	-	-	646	-	646

a) Grants and contributions treated as revenue in the statutory accounts, but as other income in the regulatory accounts

b) 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.

c) Income from reading meters on behalf of retailers is offset against operating costs in the statutory accounts, but as revenue in the regulatory accounts.

d) Under IFRS 15, revenue judged as unlikely to be collected was de-recognised in the statutory accounts (£768k) with an offsetting adjustment made to the bad debt provision (£122k). 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.

e) Rental revenue is treated as revenue in the statutory accounts, but as other income in the regulatory accounts.

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 2020/21

Details of the tax strategy for SES Water is set out in the Corporate Governance Report, within the Annual Report.

	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 at 19% £000
Taxable profit	2,807	1,707	(646)	3,868	10,168	(83)	10,085	(6,217)	(1,181)
Adjustments for									
Depreciation	10,911	-	-	10,911	12,654	-	12,654	(1,743)	(331)
Correction to interest on debt gearing adjustment & equity adjustment	-	-	-	-	(589)	-	(589)	589	112
Insurance proceeds	(1,675)	-	-	(1,675)	-	-	-	(1,675)	(318)
Allowable depreciation on deferred revenue expenditure	(1,000)	-	-	(1,000)	-	-	-	(1,000)	(190)
Profit on disposal of fixed assets	(574)	-	-	(574)	-	-	-	(574)	(109)
Capital allowances	(13,033)	-	-	(13,033)	(13,872)	-	(13,872)	839	159
Adjustment for pension contributions	(627)	-	-	(627)	-	-	-	(627)	(119)
Chargeable gains	2,130	-	-	2,130	-	-	-	2,130	405
Resulting in:									
Adjusted trading profit(loss) before tax	(1,061)	1,707	(646)	-	8,361	(83)	8,278	(8,278)	(1,573)
Tax based on UK corporation tax rate assumed in FD (17%)	(180)	290	(110)	-	1,421	(14)	1,407	(1,407)	
Difference due to actual UK corporation tax rate	(21)	34	(13)	-	167	(2)	165	(165)	
Tax based on UK corporation tax rate of 19%	(201)	324	(123)	-	1,589	(16)	1,573	(1,573)	

1B – Statement of comprehensive income

for the 12 months ended 31 March 2021

	Statutory £000	Adjustments		Total adjustments £000	Total appointed activities £000
		Differences between statutory and RAG definitions £000	Non- appointed £000		
Profit for the year	3,632	523	(1,383)	(860)	2,772
Actuarial losses on post-employment plans	(7,184)	-	-	-	(7,184)
Other comprehensive income	1,365	-	-	-	1,365
Total Comprehensive income for the year	(2,187)	523	(1,383)	(860)	(3,047)

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

for the 12 months ended 31 March 2021

		Adjustments			
	Statutory £000	Differences between statutory and RAG definitions £000	Non- appointed £000	Total adjustments £000	Total appointed activities £000
Non-current assets					
Fixed assets	346,675	-	-	-	346,675
Intangible assets	10,291	-	-	-	10,291
Investments – loans to group companies	-	-	-	-	-
Investments – other	-	-	-	-	-
Financial instruments	-	-	-	-	-
Retirement benefit assets	20,476	-	-	-	20,476
Total	377,442	-	-	-	377,442
Current assets					
Inventories	226	-	-	-	226
Trade & other receivables	26,143	646	(624)	22	26,165
Financial instruments	-	-	-	-	-
Cash & cash equivalents	25,601	-	(4,584)	(4,584)	21,017
Total	51,970	646	(5,208)	(4,562)	47,408
Current liabilities					
Trade & other payables	(35,313)	-	500	500	(34,813)
Capex creditor	(5,023)	-	-	-	(5,023)
Borrowings	(85)	-	-	-	(85)
Financial instruments	-	-	-	-	-
Current tax liabilities	-	(123)	324	201	201
Provisions	-	-	-	-	-
Total	(40,421)	(123)	824	701	(39,720)
Net Current assets/(liabilities)	11,549	523	(4,384)	(3,861)	7,688
Non-current liabilities					
Trade & other payables	-	-	-	-	-
Borrowings	(212,424)	-	-	-	(212,424)
Financial instruments	-	-	-	-	-
Retirement benefit obligations	(1,006)	-	-	-	(1,006)
Provisions	-	-	-	-	-
Deferred income – G&C's	-	-	-	-	-
Deferred income – adopted assets	-	-	-	-	-
Preference share capital	-	-	-	-	-
Deferred tax	(41,561)	-	-	-	(41,561)
Total	(254,991)	-	-	-	(254,991)
Net assets	134,000	523	(4,384)	(3,861)	130,139
Equity					
Called up share capital	51,489	-	-	-	51,489
Retained earnings & other reserves	82,511	523	(4,384)	(3,861)	78,650
Total Equity	134,000	523	(4,384)	(3,861)	130,139

Cash attributable to non-appointed activities at 31 March 2021 was £4.584 million. Cash held by the Company was £25.601 million. Appointed activities are, therefore, deemed to hold cash of £21.017 million.

1C – Statement of financial position

continued

Note	De-recognised revenue ^(a)	Tax Liability ^(b)	Total differences as per Table 1C
Non-current assets	-	-	-
Current assets	646	-	646
Current liabilities	-	(123)	(123)
Net Current assets/(liabilities)	646	(123)	523
Non-current liabilities	-	-	-
Net assets	646	(123)	523
Equity	646	(123)	523
Profit before tax	646	(123)	523

a) Per table 1A, the net P&L impact (£646k) of the revenue de-recognition under IFRS 15 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).

1D – Statement of cash flows

for the 12 months ended 31 March 2021

	Statutory £000	Adjustments		Total adjustments £000	Total appointed activities £000
		Differences between statutory and RAG definitions £000	Non- appointed £000		
Operating activities					
Operating profit	11,112	(2,532)	(1,706)	(4,238)	6,874
Other income	-	3,178	-	3,178	3,178
Depreciation	11,290	-	-	-	11,290
Amortisation – grants and contributions	-	-	-	-	-
Changes in working capital	1,262	(646)	8	(638)	624
Pension contributions	-	-	-	-	-
Movement in provisions	-	-	-	-	-
Profit on sale of fixed assets	(527)	-	-	-	(527)
Cash generated from operations	23,137	-	(1,698)	(1,698)	21,439
Net interest paid	(5,182)	706	(1)	705	(4,477)
Tax paid	(1,332)	-	290	290	(1,042)
Net cash generated from operating activities	16,623	706	(1,409)	(703)	15,920
Investing activities					
Capital expenditure	(26,002)	-	-	-	(26,002)
Grants and contributions	-	-	-	-	-
Disposal of fixed assets	554	-	-	-	554
Other	706	(706)	-	(706)	-
Net cash used in investing activities	(24,742)	(706)	-	(706)	(25,448)
Net cash generated before financing activities	(8,119)	-	(1,409)	(1,409)	(9,528)
Cash flows from financing activities					
Equity dividends paid	(4,910)	-	600	600	(4,310)
Net loans received	13,000	-	-	-	13,000
Cash inflow from equity financing	-	-	-	-	-
Net cash generated from financing activities	8,090	-	600	600	8,690
Increase (decrease) in net cash	(29)	-	(809)	(809)	(838)

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

Cash generated from operations includes £1.675m of insurance proceeds which is included within investing activities in the statutory accounts.

1D – Statement of cash flows

continued

Explanation of differences between statutory and RAG definitions

Note	Income Statement ^(a)	Interest Received ^(b)	Total differences as per Table 1D
Operating activities			
Operating profit	(2,532)	–	(2,532)
Other income	3,178	–	3,178
Changes in working capital	(646)	–	(646)
Cash generated from operations	–	–	–
Net interest paid	–	706	706
Net cash generated from operating activities	–	706	706
Net cash used in investing activities	–	(706)	(706)
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

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

1E – Net debt analysis (appointed activities)

at 31 March 2021

	Interest rate risk profile			Total £000
	Fixed rate £000	Floating rate £000	Index linked RPI £000	
Interest rate risk profile				
Borrowings (excluding preference shares)	378	44,000	168,130	212,508
Total borrowings				212,508
Cash				(21,017)
Short term deposits				-
Net Debt				191,491
Gearing				
Gearing				70.9%
Adjusted Gearing				78.2%
Interest				
Full year equivalent nominal interest cost	10	438	6,584	7,032
Full year equivalent cash interest payment	10	438	4,959	5,407
Indicative interest rates				
Indicative weighted average nominal interest rate	2.6%	1.0%	3.9%	3.3%
Indicative weighted average cash interest rate	2.6%	1.0%	2.9%	2.5%
Time to maturity				
Weighted average years to maturity	25	4	10	9

The RCV used in the above calculation is £269.77 million which was published by Ofwat in June 2021. The calculation of the RCV, especially the RPI-based element, is under review. We will subsequently discuss this with Ofwat if required.

Consistently with prior years the net debt figure includes unamortised bond fees (£4.4m) and all appointed cash balances of £21.0m, gearing is defined as net debt over RCV as noted above. 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 2021.

1F – Financial Flows

for the 12 months ended 31 March 2021

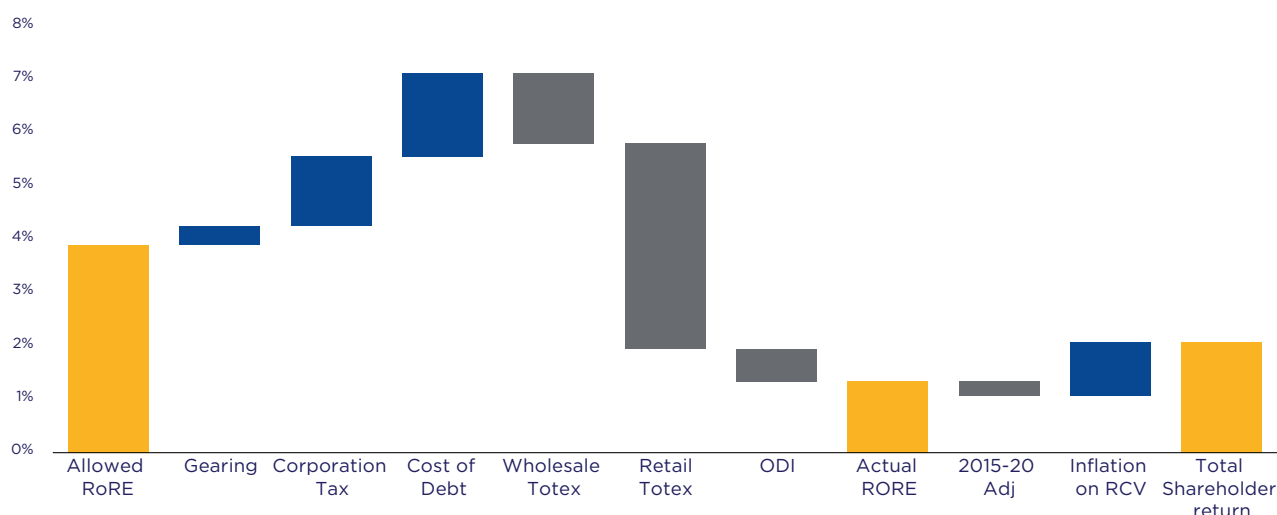
	12 months ended 31 March 2021					
	Notional returns and notional returns and regulatory equity %	Actual returns and notional regulatory equity %	Actual returns and actual regulatory %	Notional returns and notional regulatory equity £000	Actual returns and notional regulatory equity £000	Actual returns and actual regulatory equity £000
Return on regulatory equity	3.90 %	3.09 %	3.90 %	3,959	3,139	3,139
Regulatory equity	101.52	101.52	80.48	-	-	-
Financing						
Gearing	-	0.81 %	0.35 %	-	283	283
Gearing benefits sharing	-	-	-	-	-	-
Variance in corporation tax	-	1.04 %	1.31 %	-	1,053	1,053
Group relief	-	-	-	-	-	-
Cost of debt	-	1.11%	1.57%	-	1,123	1,263
Hedging instruments	-	-	-	-	-	-
Return on regulatory equity including Financing adjustments	3.90 %	6.05 %	7.13 %	3,959	5,598	5,738
Operational performance						
Totex out/(under) performance	-	(1.05)%	(1.33)%	-	(1,068)	(1,068)
ODI out/(under) performance	-	(0.48)%	(0.61)%	-	(491)	(491)
C-Mex out/(under) performance	-	-	-	-	-	-
D-Mex out/(under) performance	-	-	-	-	-	-
Retail out/(under) performance	-	(3.05)%	(3.85)%	-	(3,097)	(3,097)
Other exceptional items	-	-	-	-	-	-
Operational performance total	-	(4.58)%	(5.79)%	-	(4,656)	(4,656)
RoRE	3.90 %	1.47 %	1.34 %	3,959	942	1,082
Actual performance adjustment 2015-20	(0.27)%	(0.22)%	(0.27)%	(278)	(220)	(220)
Total earnings	3.63 %	1.25 %	1.07 %	3,681	722	862
RCV growth from inflation	1.01 %	1.01 %	1.01 %	1,028	1,028	815
Voluntary sharing arrangements	-	-	-	-	-	-
Total shareholder return	4.64 %	2.26 %	2.08 %	4,709	1,750	1,677
Dividends						
Gross Dividend	1.84 %	4.06 %	5.12 %	1,866	4,117	4,117
Retained value	2.80%	(1.80)%	(3.04)%	2,843	(2,367)	(2,440)

Given that this is the first year, the second half of the specified table showing the average over the AMP is the same as the above and it has, therefore, been omitted.

This information, which has been produced in accordance with guidance provided by Ofwat, 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,
- Outturn financial and operational performance compared to our set allowances and targets,
- Retrospective adjustment to reflect actual performance over 2015 to 2020, and
- Growth in Regulatory Capital Value (RCV) arising from inflation.

Breakdown of 2020/21 actual return



For year ended 31 March 2021, the Final Determination set our base return at 3.90% applicable to Ofwat's notional capital structure with notional gearing of 60%. Our actual results are discussed further below:

- Our financing activities increased returns by 3.23% from 3.90% (notional) to 7.13% (actual) due to:
 - Our gearing of 71% during the financial year is higher than the 60% assumed by Ofwat for a notional company, which had the impact of increasing returns by £283k or 0.35%. 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 was 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 which increased returns by £1.05m or 1.31% compared to the final determination allowance.
 - Our lower cost of debt increased returns by £1.26m or 1.57% compared to the allowance set by the Final Determination.
- Our operational performance decreased returns for the financial year by 5.79% or £4.66m which is due to various factors:
 - Our wholesale totex spend was higher than our Final Determination mainly driven by timing of spend and increased costs of Power and Network activities.
 - ODI performance - If all the penalties are applied in-period, we would incur a total penalty of £1.07m, being £0.97m for water network + and £0.13m for residential retail. However, as Ofwat has proposed deferring the potential penalty for PCC (being c£0.62m in our case included in the noted penalties above) to the end of AMP 7 due to COVID-19, therefore our penalty for this year would be £0.49m, which is reported above.
 - Our Retail performance was influenced by a challenging FD allowance further impacted by COVID-19, which saw both increases in Retail Cost to Serve and significant increase in Bad Debt provision due to reduced cash collections.

The 2015-20 adjustment reflects the true-ups determined at PR19 for the total out/underperformance in AMP6 for items such as totex, ODI/SIM and revenue collection, as well as our share of the industry's innovation allowance, which are reflected in our allowed revenues for AMP7.

- Inflation, namely the average yearly growth in CPIH, increases RCV growth by 1%
- We do not have any voluntary sharing arrangements for AMP7

2A – Segmental income statement

for the 12 months ended 31 March 2021

	Retail Household £000	Retail non- household £000	Water resources £000	Water network+ £000	Total £000
Revenue – price control	5,052	–	5,563	50,072	60,687
Revenue – non price control	–	–	52	472	524
Operating expenditure	(8,375)	–	(6,022)	(30,854)	(45,251)
Depreciation – tangible fixed assets	(2)	–	(697)	(10,226)	(10,925)
Amortisation – intangible fixed assets	(116)	–	(6)	(241)	(363)
Total depreciation & amortisation	(118)	–	(703)	(10,467)	(11,288)
Other operating income	–	–	5	2,197	2,202
Operating profit	(3,441)	–	(1,105)	11,420	6,874

The basis of cost allocations used in this segmental income statement is described in Note 1A on page 22. '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).

Household retail activities made an operating loss of £3.441 million due to higher costs, as noted on page 34.

2B – Totex analysis – wholesale

for the 12 months ended 31 March 2021

	Water resources £000	Water network+ £000	Total £000
Base operating expenditure			
Power	1,271	6,130	7,401
Income treated as negative expenditure	-	(122)	(122)
Abstraction charges/ discharge consents	983	-	983
Bulk Supply/Bulk discharge	-	20	20
Renewals expensed in year (Infrastructure)	-	-	-
Renewals expensed in year (Non-Infrastructure)	-	-	-
Other operating expenditure	3,595	19,727	23,322
Local authority and Cumulo rates	147	3,229	3,376
Total base operating expenditure	5,996	28,984	34,980
Other operating expenditure			
Enhancement operating expenditure	25	-	25
Developer services operating expenditure	-	1,779	1,779
Total operating expenditure excluding third party services	6,021	30,763	36,784
Third party services	-	92	92
Total operating expenditure	6,021	30,855	36,876
Grants and contributions			
Grants and contributions – operating expenditure	-	2,842	2,842
Capital expenditure			
Base capital expenditure	698	16,645	17,343
Enhancement capital expenditure	-	5,011	5,011
Developer services capital expenditure	-	1,029	1,029
Total gross capital expenditure (excluding third party)	698	22,685	23,383
Third party services	-	-	-
Total gross capital expenditure	698	22,685	23,383
Grants and contributions			
Grants and contributions – capital expenditure	-	-	-
Net totex	6,720	50,697	57,417
Cash expenditure			
Pension deficit recovery payments	-	-	-
Other cash items	-	-	-
Totex including cash items	6,720	50,697	57,417

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

The income treated as negative expenditure is income from National Grid's Short Term Operating Regime (STOR) it 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 2021

	Household total £000	Non- household total £000	Total £000
Operating expenditure			
Customer services	3,506	-	3,506
Debt management	159	-	159
Doubtful debts	2,588	-	2,588
Meter reading	356	-	356
Services to developers	-	-	-
Other operating expenditure	1,743	-	1,743
Local authority and Cumulo rates	21	-	21
Total operating expenditure excluding third party services	8,375	-	8,375
Depreciation			
Depreciation on tangible fixed assets existing at 31 March 2015	1	-	1
"Depreciation on tangible fixed assets acquired after 1 April 2015"	1	-	1
Amortisation on intangible fixed assets existing at 31 March 2015	-	-	-
"Amortisation on intangible fixed assets acquired after 1 April 2015"	116	-	116
Total retail costs excluding third party and pension deficit repair costs	8,493	-	8,493
Third party services operating expenditure	-	-	-
Pension deficit repair costs	-	-	-
Total retail costs including third party and pension deficit repair costs	8,493	-	8,493
Debt written off			
Debt written off	76	-	76
Capital expenditure			
Capital expenditure	3,102	-	3,102
Other operating expenditure includes the net retail expenditure for the following household retail activities which are part funded by wholesale			
Demand-side water efficiency – gross expenditure	219	-	-
Demand-side water efficiency – expenditure funded by wholesale	219	-	-
Demand-side water efficiency – net retail expenditure	-	-	-
Customer-side leak repairs – gross expenditure	124	-	-
Customer-side leak repairs – expenditure funded by wholesale	124	-	-
Customer-side leak repairs – net retail expenditure	-	-	-

Total operating costs for retail household are £8.493 million in 2020/21. No third-party services operating expenditure was incurred as activities such as billing, and meter reading are not outsourced to third parties.

During 2020/21 the household retail price control has seen the following variations in costs:

- higher provisions for doubtful debts due to lower cash collections as a result of the impact of COVID-19
- investment in enhancing our customer service and debt collection capabilities
- impact of stabilisation post our customer relationship, management and billing system upgrade and disruption caused by COVID-19

2D – Historic cost analysis of tangible fixed assets

for the 12 months ended 31 March 2021

	Retail Household £000	Retail non- household £000	Water resources £000	Water network+ £000	Total £000
Cost					
At 1 April 2020	190	-	27,580	519,895	547,665
Disposals	-	-	(18)	(286)	(304)
Additions	-	-	688	22,398	23,086
Adjustments	-	-	-	-	-
Assets adopted at nil cost	-	-	-	-	-
At 31 March 2021	190	-	28,250	542,007	570,447
Depreciation					
At 1 April 2020	(180)	-	(9,851)	(203,090)	(213,121)
Disposals	-	-	16	281	297
Adjustments	-	-	-	-	-
Charge for year	(2)	-	(697)	(10,226)	(10,925)
At 31 March 2021	(182)	-	(10,532)	(213,035)	(223,749)
Net book amount at 31 March 2021	8	-	17,718	328,972	346,698
Net book amount at 1 April 2020	10	-	17,729	316,805	334,544
Depreciation charge for year					
Principal services	(2)	-	(697)	(10,226)	(10,925)
Third party services	-	-	-	-	-
Total	(2)	-	(697)	(10,226)	(10,925)

2E – Analysis of grants and contributions: wholesale

for the 12 months ended 31 March 2021

	Fully Recognised in income statement £000	Capitalised and amortised in income statement £000	Fully netted off capex £000	Total £000
Grants and contributions – water network+	-	-	-	-
Connection charges	1,860	-	-	1,860
Infrastructure charge receipts	778	-	-	778
Requisitioned mains	164	-	-	164
Diversions – s185	-	-	-	-
Other contributions (price control)	63	-	-	63
Price control grants and contributions before deduction of income offset	2,864	-	-	2,864
Income offset	(22)	-	-	(22)
Price control grants and contributions after deduction of income offset	2,842	-	-	2,842
Diversions – NRSWA	-	-	-	-
Diversions – other non-price control	-	-	-	-
Other contributions (non-price control)	-	-	-	-
Total	2,842	-	-	2,842
Value of adopted assets	-	327	-	327
Movements in capitalised grants and contributions				
b/f	-	-	-	-
Capitalised in year	-	-	-	-
Amortisation (in income statement)	-	-	-	-
c/f	-	-	-	-

2F – Residential retail

for the 12 months ended 31 March 2021

	Revenue £000	Number of customers £000	Average residential revenues £000
Residential revenue			
Wholesale charges	48,153	-	-
Retail revenue	5,052	-	-
Total residential revenue	53,206	-	-
Retail revenue			
Revenue Recovered ("RR")	5,052	-	-
Revenue sacrifice	-	-	-
Actual revenue (net)	5,052	-	-
Customer information			
Actual customers ("AC")	-	270,479	-
Reforecast customers	-	273,279	-
Adjustment			
Allowed revenue ("R")	5,251	-	-
Net adjustment	199	-	-
Other residential information			
Average residential retail revenue per customer	-	-	18.7

The household retail revenue for 12 months ended 31 March 2021 was £5.052 million. This is £0.199 million less than the PR19 Final Determination allowed revenue due to a substantial increase in the number of customers on the social tariff, due to COVID-19, which was offset by the number of retail customers being 11,458 greater than the business plan forecast.

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

2I – Revenue analysis

for the 12 months ended 31 March 2021

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 2021 wholesale revenue to non-household customers totalled £7.481 million primarily with SES Business Water.

	Household £000	Non- household £000	Total £000	Water resources £000	Water network+ £000	Total £000
Wholesale charge – water						
Unmeasured	20,494	170	20,664	2,066	18,598	20,664
Measured	27,659	7,311	34,970	3,497	31,473	34,970
Third party revenue	-	-	-	-	-	-
Total wholesale water revenue	48,153	7,481	55,634	5,563	50,071	55,634
Retail revenue						
Unmeasured	1,207	-	1,207			
Measured	3,845	-	3,845			
Other third party revenue	-	-	-			
Retail Total	5,052	-	5,052			
Third party revenue – non-price control						
Bulk supplies – water	-	-	49			
Other third party revenue	-	-	172			
Principal services – non-price control						
Other appointed revenue	-	-	304			
Total appointed revenue	-	-	61,211			

2J – Infrastructure network reinforcement costs

for the 12 months ended 31 March 2021

	Network reinforcement capex £000	On site/ site specific capex £000
Distribution and trunk mains	750	-
Pumping and storage facilities	-	-
Other	-	-
Total	750	-

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

2K – Infrastructure charge reconciliation

for the 12 months ended 31 March 2021

	£000
Infrastructure charges	778
Discounts applied to infrastructure charges	-
Gross infrastructure charges	778
Comparison of revenue and costs	
Variance brought forward	(1,249)
Revenue	778
Costs	(750)
Variance carried forward	(1,221)

Disclosed as infrastructure charges within the above table are contributions from other sources that are considered to be their equivalent, though 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 2021

	Water resources £000	Water Network+ £000	Total £000
Proceeds from disposals of protected land	-	26	26

2M – Revenue reconciliation

for the 12 months ended 31 March 2021

	Water resources £000	Water network+ £000	Total £000
Revenue recognised			
Wholesale revenue governed by price control	5,563	50,071	55,634
Grants & contributions (price control)	-	2,842	2,842
Total revenue governed by wholesale price control	5,563	52,913	58,476
Calculation of the revenue cap			
Allowed wholesale revenue before adjustments	5,965	52,631	58,596
Allowed grants & contributions before adjustments	-	4,473	4,473
Revenue adjustment	(238)	(2,144)	(2,382)
Other adjustments	-	-	-
Revenue cap	5,727	54,960	60,687
Calculation of the revenue imbalance			
Revenue cap	5,727	54,960	60,687
Revenue Recovered	5,563	52,913	58,476
Revenue imbalance	164	2,047	2,211

The revenue is the difference between the Allowed Revenue per PR19, the reconciliation for over/under recovery of revenue, and the blind year adjustment which is zero for year 1 of the AMP.

We recovered £5.563 million of Water Resources revenue and £52.913 million of Water network + revenue. We therefore under recovered our total allowed revenue by £2.211 million (3.64%) which was driven by:

- Wholesale revenue being lower than forecast due to significantly lower revenues from non-household customers as a result of the COVID-19 pandemic
- Household revenue was up, but not enough to compensate for the loss of wholesale revenue
- New connections and developer activity was also down in the year due to the impact of the COVID-19 pandemic.

2N – Residential retail – social tariffs

for the 12 months ended 31 March 2021

	Revenue £000	Number of customers 000s	Average amount per customer £000
Number of residential customers on social tariffs			
Residential water only social tariffs	-	20.274	-
Number of residential customers not on social tariffs			
Residential water only no social tariffs	-	250.205	-
Social tariff discount			
Average discount per water only social tariffs customer	-	-	153
Social tariff cross-subsidy – residential customers			
Total customer funded cross-subsidies for water only social tariffs customers	1,568	-	-
Average customer funded cross-subsidy per water only social tariffs customer	-	-	6
Social tariff cross-subsidy – company			
Total revenue forgone by company to fund cross-subsidies for water only social tariffs customers	1,530	-	-
Average revenue forgone by company to fund cross-subsidy per water only social tariffs customer	-	-	75
Social tariff support – willingness to pay			
Level of support for social tariff customers reflected in business plan	-	-	6
Maximum contribution to social tariffs supported by customer engagement	-	-	6

20 – Historic cost analysis of intangible fixed assets

for the 12 months ended 31 March 2021

	Water resources £000	Water network+ £000	Retail Residential £000	Total £000
Cost				
At 1 April 2020	151	26,607	2,257	29,015
Disposals	-	-	-	-
Additions	10	293	3,102	3,405
Adjustments	-	-	-	-
Assets adopted at nil cost	-	-	-	-
At 31 March 2021	161	26,900	5,359	32,420
Amortisation				
At 1 April 2020	(8)	(19,514)	(2,244)	(21,766)
Disposals	-	-	-	-
Adjustments	-	-	-	-
Charge for year	(6)	(241)	(116)	(363)
At 31 March 2021	(14)	(19,755)	(2,360)	(22,129)
Net book amount at 31 March 2021	147	7,145	2,999	10,291
Net book amount at 1 April 2020	143	7,093	13	7,249
Amortisation for year				
Principal services	(6)	(241)	(116)	(363)
Third party services	-	-	-	-
Total	(6)	(241)	(116)	(363)

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

Information on our performance is included in ‘Our Performance’ (pages 16 to 33 of the Annual Report and Financial Statements 2021) and in the Financial review (pages 54 to 57 of the Annual Report and Financial Statements 2021). We have met our target level of performance for the year on 18 out of 25 commitments for 2020/21. 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 2022/23 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. At the time of this report, we have not forecast future outperformance/underperformance for the full AMP period to 2025 at present given level of uncertainty required to provide accurate detailed forecasts – and therefore we have not provided such a long-term forecast in this table.

for the 12 months ended 31 March 2021

	Units	2019/20 performance level – actual	2020/21 performance level – actual	2020/21 target met?	Outperformance or underperformance payment ⁽¹⁾ 2020/21, £m
Common PCs – Water (financial)					
Water quality compliance (CRI) ⁽²⁾	number	<2	2.16	No	(0.028)
Water supply interruptions, more than 3h per property ⁽³⁾	hh:mm:ss	00:01:25	00:06:56	No	(0.053)
Leakage reduction ⁽⁴⁾	%	23.9	1.2	Yes	-
Per capita consumption reduction ⁽⁴⁾⁽⁵⁾	%, litres/ person/day	153	3.7, 145.5	No	(0.616)
Mains repairs ⁽⁶⁾	number/ 1000km	48.9	64.6	Yes	-
Unplanned outage	%	0.02	0.95	Yes	-
Bespoke PCs – Water and Retail (financial)					
Customer concerns about their water (taste, odour and discolouration contacts)	number	0.47	0.56	No	(0.040)
Supporting customers in financial hardship	number	14311	20274	Yes	-
Void properties ⁽⁷⁾	%	3.24	4.42	No	(0.135)
First contact resolution	%	NA	83.9	Yes	-
Greenhouse gas emissions	number	56.0	40	Yes	-
River based improvement – delivery of WINEP	number	Delivered	Delivered	Yes	-
Water softening ⁽⁸⁾	number	Delivered	6.3	No	(0.178)
Risk of supply failures ⁽⁹⁾	%	56	56	No	(0.058)

Notes:

1. This column shows the reward/(penalty) for the performance commitment based on Ofwat’s Final Determination for SES Water. All are in 2017/18 price to be consistent with Ofwat’s final determination issued in December 2019.
2. The Compliance Risk Index is published in the Drinking Water Inspectorate’s Chief Inspector’s Report – Drinking Water 2020.
3. Water supply interruptions target was marginally missed by 26 seconds due to a single large burst during 2020. It is calculated as average number of minutes lost per customer for the whole customer base for interruptions that lasted three hours or more.
4. Leakage and per capita consumption were previously reported in absolute level, Ml/d and l/person/d, respectively, instead of percentage of reduction.
5. Across the sector, the PCC targets originally set in the business plans will not be met due to the effect of COVID-19 on domestic water consumption. Ofwat are currently in consultation with the sector and are recommending to apply adjustments at the end of the five year period, instead of in-period adjustments.
6. Total number of burst is 229 for the year.
7. Our target for voids has been missed in the year partly due to the effects of COVID-19 on our non-household customers in the year, many of whom have closed either temporarily or permanently their businesses.
8. Our softening performance has been adversely impacted by delays to completion of our Elmer treatment works, partially due to COVID-19 related workforce issues.
9. We have deferred a key scheme in relation to this performance commitment until 2023. While the target has not been therefore met in the current year, the full AMP target will be met by March 2023, 2 years ahead of target.

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

for the 12 months ended 31 March 2021

	Units	Value
Annual customer satisfaction score for the customer service survey	Number	75.50
Annual customer satisfaction score for the customer experience survey	Number	82.43
Annual C-MeX score	Number	78.97
Annual net promoter score	Number	20.50
Total household complaints	Number	2,395
Total connected household properties	Number	283,553
Total household complaints per 10,000 connections	Number	84.46
Confirmation of communication channels offered	TRUE or FALSE	TRUE

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

for the 12 months ended 31 March 2021

	Units	Value
Qualitative component annual results	Number	51.64
Quantitative component annual results	Number	68.76
D-MeX score	Number	60.20

3E – Outcome performance – Non-financial performance commitments

for the 12 months ended 31 March 2021

	Units	2019-20 performance level – actual	2020-21 performance level – actual	2020-21 target met?
Common				
Risk of severe restrictions in a drought ⁽¹⁾	%	0.0	0.0	Yes
Priority services for customers in vulnerable circumstances – PSR reach ^(*)	%	NA	4.5	Yes
Priority services for customers in vulnerable circumstances – attempted contacts ^(*)	%	NA	100	Yes
Priority services for customers in vulnerable circumstances – actual contacts ^{(2)(*)}	%	NA	NA	NA
Bespoke PCs				
Vulnerable support scheme awareness ^(*)	%	NA	36.5	No
Vulnerable support scheme helpfulness ^(*)	%	NA	95.0	Yes
Pollution incidents	nr	4	0	Yes
Abstraction incentive mechanism	nr	Not triggered	Not triggered	Yes
Land based improvement – biodiversity	nr	0	1	Yes
Perception of value for money ^(*)	%	NA	7	Yes
WINEP delivery	Text	Met	Met	Yes

Note: As we start the new price control, we make new performance commitments, which were not part of our commitments during the previous price control. Therefore, previous year's actual performance for these new commitments are not available.

1. Measured in percentage of population affected.

2. This is a two-year average figure. We are at the first year of the new price control and do not have data for this year yet.

3H – Summary information on outcome delivery incentive payments

for the 12 months ended 31 March 2021

Initial calculation of
performance payments
(excluding C-Mex and D-Mex)
£m (2017/18 prices)

Initial calculation of in-period revenue adjustment by price control

Water resources	-
Water network+	(0.97)
Residential retail	(0.13)

Initial calculation of end of period revenue adjustment by price control

Water resources	-
Water network+	-
Residential retail	-

Initial calculation of end of period RCV adjustment by price control

Water resources	-
Water network+	-
Residential retail	-

Note: If all the penalties are applied in-period, we would incur a total penalty of £1.07m, being £0.97m for water network + and £0.13m for residential retail as noted above. However, as Ofwat has proposed moving the potential penalty for PCC (being c£0.62m in our case included in the noted penalties above) to the end of AMP 7 due to COVID-19, and therefore our penalty for this year would be £0.49m.

4A – Water bulk supply information

for the 12 months ended 31 March 2021

	Volume MI	Operating costs £000	Revenue £000
Bulk supply export	44.10	19.00	49.00
Bulk supply import	-	-	-

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 2021

	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)	4,365	44,664
Actual totex (net of business rates, abstraction licence fees and grants and contributions)	5,590	47,176
Transition expenditure	-	-
Disallowable costs	-	-
Total actual totex (net of business rates, abstraction licence fees and grants and contributions)	5,590	47,176
Variance	1,225	2,512
Variance due to timing of expenditure	1,225	2,512
Variance due to efficiency	-	-
Customer cost sharing rate	0.55	0.55
Customer share of totex over/underspend	674	1,381
Company share of totex over/underspend	551	1,130
Totex – business rates and abstraction licence fees		
Final Determination allowed totex – business rates and abstraction licence fees	1,079	2,961
Actual totex – business rates and abstraction licence fees	1,130	3,229
Variance – business rates and abstraction licence fees	51	268
Customer cost sharing rate – business rates and abstraction licence fees	0.55	0.55
Customer share of totex over/underspend – business rates and abstraction licence fees	28	147
Company share of totex over/underspend – business rates and abstraction licence fees	23	121
Totex not subject to cost sharing		
Final Determination allowed totex – not subject to cost sharing	-	2,314
Actual totex – not subject to cost sharing	-	270
Variance – 100% Company allocation	-	(2,044)
Total Company share of totex over/underspend	574	(793)
RCV		
Total Company share of totex over/underspend	574	(793)
PAYG rate	0.82	0.49
RCV element of totex over/underspend	103	(404)
Adjustment for ODI outperformance payment or underperformance payment	-	-
RCV determined at FD at 31 March	13,807	255,962
Projected 'shadow' RCV	13,911	255,558

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 for the 12 months ended 31 March 2021 – water resources and water network+

	Water network plus					
	Water resources £000	Raw water transport £000	Raw water storage £000	Water treatment £000	Treated water distribution £000	Total £000
Operating expenditure						
Base operating expenditure	5,997	400	-	16,798	11,785	34,980
Enhancement operating expenditure	25	-	-	-	-	25
Developer services operating expenditure	-	-	-	-	1,779	1,779
Total operating expenditure excluding third party services	6,022	400	-	16,798	13,564	36,784
Third party services	-	-	-	-	92	92
Total operating expenditure	6,022	400	-	16,798	13,656	36,876
Grants and contributions						
Grants and contributions – operating expenditure	-	-	-	-	2,842	2,842
Capital expenditure						
Base capital expenditure	698	-	-	8,541	8,103	17,342
Enhancement capital expenditure	-	-	-	-	5,011	5,011
Developer services capital expenditure	-	-	-	-	1,029	1,029
Total gross capital expenditure (excluding third party)	698	-	-	8,541	14,143	23,382
Third party services	-	-	-	-	-	-
Total gross capital expenditure	698	-	-	8,541	14,143	23,382
Grants and contributions						
Grants and contributions – capital expenditure	-	-	-	-	-	-
Net totex	6,720	400	-	25,339	24,957	57,416
Cash expenditure	-	-	-	-	-	-
Pension deficit recovery payments	-	-	-	-	-	-
Other cash items	-	-	-	-	-	-
Totex including cash items	-	-	-	-	-	-

4H – Financial metrics

for the 12 months ended 31 March 2021

	Units	Current year
Financial indicators		
Net debt	£m	191.491
Regulatory equity	£m	78.278
Regulatory gearing	%	70.98
Post tax return on regulatory equity	%	2.88
RORE (return on regulatory equity)	%	1.46
Dividend yield	%	5.51
Retail profit margin – Household	%	(68.09)
Retail profit margin – Non household	%	-
Credit rating – Moody's	Text	Baa2 (Negative)
Return on RCV	%	3.61
Dividend cover	dec	0.64
Funds from operations (FFO)	£m	15.296
Interest cover (cash)	dec	3.94
Adjusted interest cover (cash)	dec	2.17
FFO/Net debt	dec	0.08
Effective tax rate	%	7.19
RCF	£m	10.986
RCF/Net debt	dec	0.06
Revenue and earnings		
Revenue (actual)	£m	60.687
EBITDA (actual)	£m	15.436
Borrowings		
Proportion of borrowings which are fixed rate	%	0.18
Proportion of borrowings which are floating rate	%	20.71
Proportion of borrowings which are index linked	%	79.12
Proportion of borrowings due within 1 year or less	%	-
Proportion of borrowings due in more than 1 year but no more than 2 years	%	-
Proportion of borrowings due in more than 2 years but but no more than 5 years	%	21.00
Proportion of borrowings due in more than 5 years but no more than 20 years	%	79.00
Proportion of borrowings due in more than 20 years	%	-

Commentary on financial metrics

As noted in the commentary accompanying the revenue reconciliation table (see page 40) actual revenue in 2020/21 was:

- £2.211 million (3.6%) lower than the amount assumed in the wholesale price control; and
- £0.528 (9.4%) lower than the allowed revenue in the household retail price control.

Actual totex for the year was £2.04 million higher than allowed in the wholesale price control, due to an increase in power costs and network run rate costs over the estimated costs in the PR19 Final Determination. The overspend in opex costs were partly offset by an underspend in Capex due to timing differences. The operating cost analysis for retail activities for the year were £6.23 million higher than assumed in the retail price controls. Overall expenditure was therefore £8.27 million higher than assumed in the PR19 Final Determination.

If all the penalties are applied in-period, we would incur a total penalty of £1.07m, being £0.97m for water network + and £0.13m for residential retail as noted above. However, as Ofwat has proposed moving the potential penalty for PCC to the end of AMP 7 due to COVID-19, and therefore, our penalty for this year would be £0.49m.

Post tax returns on regulatory equity have, in contrast to the RoRE estimate, been affected by both accounting policies and the impact of low 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 are in line with the Company's dividend policy (which can be found on page 103 of the Annual Report and Financial Statements 2021).

4J – Base expenditure analysis

for the 12 months ended 31 March 2021

		Water network+					
	Units	Water resources £000	Raw water distribution £000	Raw water storage £000	Water treatment £000	Treated water distribution £000	Total £000
Operating expenditure							
Power	£m	1.271	0.400	-	5.204	0.526	7.401
Income treated as negative expenditure	£m	-	-	-	-	(0.122)	(0.122)
Bulk supply	£m	-	-	-	-	0.020	0.020
Renewals expensed in year (infrastructure)	£m	-	-	-	-	-	-
Renewals expensed in year (non-infrastructure)	£m	-	-	-	-	-	-
Other operating expenditure	£m	3.595	-	-	8.050	9.249	20.894
Local authority and Cumulo rates	£m	0.147	-	-	1.295	1.933	3.376
Service charges							
Canal & River Trust abstraction charges/discharge consents	£m	-	-	-	-	-	-
Environment Agency/NRW abstraction charges/discharge consents	£m	0.983	-	-	-	-	0.983
Other abstraction charges/discharge consents	£m	-	-	-	-	-	-
Other operating expenditure							
Costs associated with Traffic Management Act	£m	-	-	-	-	0.178	0.178
Costs associated with lane rental schemes	£m	-	-	-	-	-	-
Statutory water softening	£m	-	-	-	2.249	-	2.249
Total base operating expenditure	£m	5.997	0.400	-	16.798	11.784	34.979
Capital expenditure							
Maintaining the long-term capability of the assets – infra	£m	-	-	-	-	2.741	2.741
Maintaining the long-term capability of the assets – non-infra	£m	0.698	-	-	8.540	5.364	14.602
Total base capital expenditure	£m	0.698	-	-	8.540	8.105	17.343
Traffic Management Act							
Projects incurring costs associated with Traffic Management Act	nr	-	-	-	-	3,538	3,538

4N – Developer services expenditure – water resources and water network+

for the 12 months ended 31 March 2021

			Water network+					Total £000
	Units		Water resources £000	Raw water distribution £000	Raw water storage £000	Water treatment £000	Treated water distribution £000	
New connections	Capex	£m	-	-	-	-	0.973	0.973
New connections	Opex	£m	-	-	-	-	1.675	1.675
Requisition mains	Capex	£m	-	-	-	-	-	-
Requisition mains	Opex	£m	-	-	-	-	0.007	0.007
Infrastructure network reinforcement	Capex	£m	-	-	-	-	0.056	0.056
Infrastructure network reinforcement	Opex	£m	-	-	-	-	0.097	0.097
s185 diversions	Capex	£m	-	-	-	-	-	-
s185 diversions	Opex	£m	-	-	-	-	-	-
Other price controlled activities	Capex	£m	-	-	-	-	-	-
Other price controlled activities	Opex	£m	-	-	-	-	-	-
Total developer services expenditure – capex	Capex	£m	-	-	-	-	1.029	1.029
Total developer services expenditure – opex	Opex	£m	-	-	-	-	1.779	1.779
Total developer services expenditure Totex	Totex	£m	-	-	-	-	2.808	2.808

4P – Expenditure on non-price control diversions

for the 12 months ended 31 March 2021

	Units	Water resources £000	Water network+ £000	Total £000
Diversions – NRSWA	£m	–	0.178	0.178
Diversions – other non-price control	£m	–	–	–
Total expenditure on non-price control diversions	£m	–	0.178	0.178

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

	Units	Total £000
Connections volume data		
New connections (residential – excluding NAVs)	nr	593
New connections (business – excluding NAVs)	nr	20
Total new connections served by incumbent	nr	613
 New connections – SLPs	 nr	 432
Properties volume data		
New properties (residential – excluding NAVs)	nr	613
New properties (business – excluding NAVs)	nr	20
Total new properties served by incumbent	nr	633
New residential properties served by NAVs	nr	0
New business properties served by NAVs	nr	0
Total new properties served by NAVs	nr	0
Total new properties	nr	633
 New properties – SLP connections	 nr	 451
New water mains data		
Length of new mains (km) – requisitions	nr	4379
Length of new mains (km) – SLPs	nr	3074

4R – Connected properties, customers and population

	Units	Unmeasured	Measured	Total £000	Voids
Customer numbers – average during the year					
Residential water only customers	000s	99.545	170.934	270.479	10.88
Residential wastewater only customers	000s	-	-	-	-
Residential water and wastewater customers	000s	-	-	-	-
Total residential customers	000s	99.545	170.934	270.479	10.88
Business water only customers	000s	0.186	1.612	1.798	0.515
Business wastewater only customers	000s	-	-	-	-
Business water & wastewater customers	000s	-	-	-	-
Total business customers	000s	0.186	1.612	1.798	0.515
Total customers	000s	99.731	172.546	272.277	11.395

	Units	Unmeasured	Measured	Total £000
Property numbers – average during the year				
Residential properties billed	000s	99.545	170.934	270.479
Residential void properties	000s	-	-	10.88
Total connected residential properties	000s	-	-	281.359
Business properties billed	000s	0.186	1.612	1.798
Business void properties	000s	-	-	0.515
Total connected business properties	000s	-	-	2.313
Total connected properties	000s	-	-	283.672

	Units	Unmeasured			Total	Measured			Total	Total
		No meter	Basic meter	Smart meter		No meter	Basic meter	Smart meter		
Property and meter numbers – at end of year		-	-	-	-	-	-	-	-	-
Total new residential properties connected in year	000s	-	-	-	-	-	2.316	-	2.316	2.316
Total new business properties connected in year	000s	-	-	-	-	-	1	-	1	1
Residential properties billed at year end	000s	97.581	-	-	97.581	-	173.763	-	173.763	271.344
Residential void properties at year end	000s	-	-	-	3.845	-	-	-	7.252	11.097
Total connected residential properties at year end	000s	-	-	-	101.426	-	-	-	181.015	282.441
Business properties billed at year end	000s	0.184	-	-	0.184	-	1.612	-	1.612	1.796
Business void properties at year end	000s	-	-	-	0.253	-	-	-	0.247	0.5
Total connected business properties at year end	000s	-	-	-	0.437	-	-	-	1.859	2.296
Total connected properties at year end	000s	-	-	-	101.863	-	-	-	182.874	284.737

	Units	Water
Population data		
Resident population	000s	738.308
Business population	000s	-

5A – Water resources asset and volumes data

for the 12 months ended 31 March 2021

	Units	Total
Water resources		
Water from impounding reservoirs	MI/d	-
Water from pumped storage reservoirs	MI/d	26.12
Water from river abstractions	MI/d	-
Water from groundwater works,excluding managed aquifer recharge (MAR) water supply schemes	MI/d	153.84
Water from artificial recharge (AR) water supply schemes	MI/d	-
Water from aquifer storage and recovery (ASR) water supply schemes	MI/d	-
Water from saline abstractions	MI/d	-
Water from water reuse schemes	MI/d	-
Number of impounding reservoirs	nr	-
Number of pumped storage reservoirs	nr	1
Number of river abstractions	nr	-
Number of groundwater works excluding managed aquifer recharge (MAR) water supply schemes	nr	68
Number of artificial recharge (AR) water supply schemes	nr	-
Number of aquifer storage and recovery (ASR) water supply schemes	nr	-
Number of saline abstraction schemes	nr	-
Number of reuse schemes	nr	-
Total number of sources	nr	69
Total number of water reservoirs	nr	1
Total volumetric capacity of water reservoirs	MI	10018
Total number of intake and source pumping stations	nr	40
Total installed power capacity of intake and source pumping stations	kW	7933
Total length of raw water abstraction mains and other conveyors	km	67.76
Average pumping head – raw water abstraction	m.hd	50.63
Energy consumption – raw water abstraction	MWh	14515.36
Total number of raw water abstraction imports	nr	-
Water imported from 3rd parties' raw water abstraction systems	MI/d	-
Total number of raw water abstraction exports	nr	-
Water exported to 3rd parties' from raw water abstraction systems	MI/d	-
Water resources capacity (measured using water resources yield)	MI/d	207.86

5B – Water resources operating cost analysis

for the 12 months ended 31 March 2021

	Units	Impounding Reservoir	Pumped Storage	River Abstractions	Groundwater, excluding MAR water supply schemes	Total
Opex analysis						
Power	£m	-	-	0.072	1.173	1.245
Income treated as negative expenditure	£m	-	-	-	-	-
Abstraction charges/discharge consents	£m	-	-	0.961	0.006	0.967
Bulk supply	£m	-	-	-	-	-
Other operating expenditure						
Renewals expensed in year (Infrastructure)	£m	-	-	-	-	-
Renewals expensed in year (Non-Infrastructure)	£m	-	-	-	-	-
Other operating expenditure excluding renewals – direct	£m	0.042	-	0.019	0.139	0.199
Other operating expenditure excluding renewals – indirect	£m	0.717	-	0.318	2.386	3.421
Local authority and Cumulo rates	£m	-	-	-	-	-
Total operating expenditure (excluding 3rd party)	£m	0.759	-	1.370	3.704	5.832

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

	Units	Input
Raw water transport and storage		
Total number of balancing reservoirs	nr	-
Total volumetric capacity of balancing reservoirs	MI	-
Total number of raw water transport stations	nr	1
Total installed power capacity of raw water transport pumping stations	kW	396
Total length of raw water transport mains and other conveyors	km	9.35
Average pumping head – raw water transport	m.hd	19.00
Energy consumption – raw water transport	MWh	3311.910
Total number of raw water transport imports	nr	-
Water imported from 3rd parties' raw water transport systems	MI/d	-
Total number of raw water transport exports	nr	-
Water exported to 3rd parties' raw water transport systems	MI/d	-
Total length of raw and pre-treated (non-potable) water transport mains for supplying customers	km	3.09

	Surface water		Ground water	
	Water treated MI/d	Number of works nr	Water treated MI/d	Number of works nr
Water treatment – treatment type analysis				
All SD simple disinfection works	-	-	-	-
W1 works	-	-	-	-
W2 works	-	-	-	-
W3 works	-	-	36.31	4
W4 works	-	-	110.85	3
W5 works	26.58	1	-	-
W6 works	-	-	-	-

	% of total DI	Number of works nr
Water treatment – works size		
WTWs in size band 1	-	-
WTWs in size band 2	-	-
WTWs in size band 3	-	1
WTWs in size band 4	2.7	1
WTWs in size band 5	2.1	1
WTWs in size band 6	44.4	3
WTWs in size band 7	50.8	2
WTWs in size band 8	-	-

	Units	Input
Water treatment – other information		
Total water treated at more than one type of works	MI/d	-
Number of treatment works requiring remedial action because of raw water deterioration	nr	-
Zonal population receiving water treated with orthophosphate	000's	-
Average pumping head – water treatment	m.hd	19.75
Energy consumption – water treatment	MWh	16457.960
Total number of water treatment imports	nr	-
Water imported from 3rd parties' water treatment works	MI/d	-
Total number of water treatment exports	nr	-
Water exported to 3rd parties' water treatment works	MI/d	-

6B – Treated water distribution – assets and operations

for the 12 months ended 31 March 2021

	Units	Input
Assets and operations		
Total installed power capacity of potable water pumping stations	kW	3355
Total volumetric capacity of service reservoirs	MI	376.45
Total volumetric capacity of water towers	MI	5
Distribution input	MI/d	169.19
Water delivered (non-potable)	MI/d	-
Water delivered (potable)	MI/d	149.84
Water delivered (billed measured residential)	MI/d	69.92
Water delivered (billed measured business)	MI/d	19.29
Total annual leakage	MI/d	25.01
Distribution losses	MI/d	16.72
Water taken unbilled	MI/d	1.67
Proportion of distribution input derived from impounding reservoirs	Propn 0 to 1	-
Proportion of distribution input derived from pumped storage reservoirs	Propn 0 to 1	0.153
Proportion of distribution input derived from river abstractions	Propn 0 to 1	-
Proportion of distribution input derived from groundwater works, excluding managed aquifer recharge (MAR) water supply schemes	Propn 0 to 1	0.847
Proportion of distribution input derived from artificial recharge (AR) water supply schemes	Propn 0 to 1	-
Proportion of distribution input derived from aquifer storage and recovery (ASR) water supply schemes	Propn 0 to 1	-
Proportion of distribution input derived from saline abstractions	Propn 0 to 1	-
Proportion of distribution input derived from water reuse schemes	Propn 0 to 1	-
Total number of potable water pumping stations that pump into and within the treated water distribution system	nr	33
Number of potable water pumping stations delivering treated groundwater into the treated water distribution system	nr	7
Number of potable water pumping stations delivering surface water into the treated water distribution system	nr	1
Number of potable water pumping stations that re-pump water already within the treated water distribution system	nr	24
Number of potable water pumping stations that pump water imported from a 3rd party supply into the treated water distribution system	nr	1
Total number of service reservoirs	nr	29
Number of water towers	nr	5
Energy consumption – treated water distribution	MWh	26,589
Average pumping head – treated water distribution	m.hd	101.37
Total number of treated water distribution imports	nr	1
Water imported from 3rd parties' treated water distribution systems	MI/d	-
Total number of treated water distribution exports	nr	2
Water exported to 3rd parties' treated water distribution systems	MI/d	0.12

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

for the 12 months ended 31 March 2021

	Units	Input
Treated water distribution – mains analysis		
Total length of potable mains as at 31 March	km	3524
Total length of potable mains relined	km	-
Total length of potable mains renewed	km	4
Total length of new potable mains	km	9
Total length of potable water mains (≤320mm)	km	3302
Total length of potable water mains >320mm and ≤ 450mm	km	105
Total length of potable water mains >450mm and ≤610mm	km	82
Total length of potable water mains > 610mm	km	36
Communication pipes		
Number of lead communication pipes	nr	101142
Number of galvanised iron communication pipes	nr	4841
Number of other communication pipes	nr	115919
Treated water distribution – mains age profile		
Total length of potable mains laid or structurally refurbished pre-1880	km	20
Total length of potable mains laid or structurally refurbished between 1881 and 1900	km	301
Total length of potable mains laid or structurally refurbished between 1901 and 1920	km	253
Total length of potable mains laid or structurally refurbished between 1921 and 1940	km	973
Total length of potable mains laid or structurally refurbished between 1941 and 1960	km	263
Total length of potable mains laid or structurally refurbished between 1961 and 1980	km	378
Total length of potable mains laid or structurally refurbished between 1981 and 2000	km	635
Total length of potable mains laid or structurally refurbished post 2001	km	700
Other		
Company area	km ²	835
Number of lead communication pipes replaced for water quality	nr	-
Supply-side improvements delivering benefits in 2020-25	MI/d	-
Demand-side improvements delivering benefits in 2020-25 (excluding leakage and metering)	MI/d	0.352
Leakage improvements delivering benefits in 2020-25	MI/d	-
Internal interconnectors delivering benefits in 2020-25	MI/d	-
Event Risk Index	nr	4.89

6D – Demand management – Metering and leakage activities

	Units	Basic meter	Smart meter		
Metering activities – Totex expenditure					
New optant meter installation	£m	0.576	–		
New selective meter installation	£m	1	–		
New business meter installation	£m	0.007	–		
Residential meters renewed	£m	0.519	–		
Business meters renewed	£m	0.027	–		
Metering activities – Explanatory variables					
New optant meters installed	000s	2.173	–		
New selective meters installed	000s	3.266	–		
New business meters installed	000s	0.013	–		
Residential meters renewed	000s	10.287	–		
Business meters renewed	000s	0.544	–		
New residential meters installation – supply-demand balance benefit	MI/d	–	–		
New business meters installation – supply-demand balance benefit	MI/d	–	–		
Residential meters renewed – supply-demand balance benefit	MI/d	–	–		
Business meters renewed – supply-demand balance benefit	MI/d	–	–		
Residential properties – meter penetration	%	61.8	–		
Leakage activities – Totex expenditure					
	Units	Maintaining leakage	Reducing leakage	Total	
Total leakage activity	£m	4.293	4.176	8.469	
				Units	Basic meter
Per capita consumption (excluding supply pipe leakage)					
Per capita consumption (measured customers)				l/h/d	155.62
Per capita consumption (unmeasured customers)				l/h/d	174.36

Table 9 – Innovation competition

This table has been omitted as there was no innovation competition revenue or funds transferred into the innovation competition fund. The allowed innovation competition fund price control revenue for the year was £0.209m, and this was collected in the year. There was no innovation project spending in the year.

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 20/21	Terms of supply	Value (£000)
Allmat (East Surrey) Ltd	Builders merchant	Rent of land	2,018	Other market testing	51
Allmat (East Surrey) Ltd	Builders merchant	Management services	2,018	Actual costs	6
Sutton and East Surrey Water Services Ltd	Non Household water retailer	Management services	47,501	Actual costs	80
Sutton and East Surrey Water Services Ltd	Non Household water retailer	Wholesale water	47,501	Market code	6166
Total value of services provided by the Company					6303

Services provided to the Company by associated companies

Associate company	Company principal activity	Service provided	Turnover of associate during 20/21	Terms of supply	Value (£000)
Allmat (East Surrey) Ltd	Builders merchant	Materials for maintenance	2,018	Actual cost	2
Advanced Minerals Ltd	Mineral processing	Waste disposal	2,018	Actual cost	36
Sutton and East Surrey Water Services Ltd	Plumbing repairs	Leak repairs	47,501	Competitive tendering	204
Sutton and East Surrey Water Services Ltd	Plumbing repairs	Water efficiency services	47,501	Competitive tendering	117
Total value of services provided to the Company					359

In the above tables the annual turnover for all the associated companies are the latest draft management values awaiting final audit.

A dividend of £4,910,000 (2020: £6,700,000) was paid through SESW Holding Company Ltd to East Surrey Holding Ltd. Of this £4,310,000 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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