

## Investors report

For the six months ending 30 September 2023

South East Water Financing Group:  
South East Water (Holdings) Limited  
South East Water Limited  
South East Water (Finance) Limited



Pure know **h<sub>2</sub>ow**

## Our Purpose

**To provide today's public water service  
and create tomorrow's water supply solutions,  
fairly and responsibly, working with others  
to help society and the environment to thrive.**

## Our Business\*

We supply top quality drinking water to 2.3 million customers in the south east of England. Through our network of 9,000 miles of pipes, we deliver around 542 million litres of water every day. The skill and expertise of our colleagues ensures our customers' water meets the highest of standards.

## Our Area

**We operate our supply system across three operational regions:**

South East Water is made up of three operating areas – the Western region, Sussex and Kent.

Each of our regions has specific characteristics determined by different river catchments, geology, topography, ecology, land use and importantly history. The investment needed to maintain a resilient supply system will therefore be different in each region.



\*The values quoted are for the year ended 31 March 2023

## Our Vision

Our vision is to be the water company people want to be supplied by and want to work for. Everything we do is underpinned by technical excellence.

### We supply around 542 million litres of water a day

that's how much water we supply to around 2.3 million people



### 9,000 miles of underground pipes

that's how we get fresh drinking water direct to your tap



### 1,061 employees

that's how we make sure your water supply runs 24 hours a day, 365 days a year



### 206.6 kgCO<sub>2</sub>e/MI

that's the level of Greenhouse gas emissions we emit across the company, to supply water to your tap



Find out more

[southeastwater.co.uk/businessplan](https://southeastwater.co.uk/businessplan)

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### Online interim report

Read our Condensed Group Financial Statements for the six months ended 30 September 2023 online: [southeastwater.co.uk/financialreports](https://southeastwater.co.uk/financialreports)

# General Overview and Business Update

This Investors Report covers the six month period ending 30 September 2023. It also includes a summary of any subsequent material events in the period prior to the publication of this report.

## 1.0 Operational Performance

Our interim investors report and our company's performance for this period is set against the backdrop of another challenging, dry, hot early summer. Despite these challenges and the regrettable localised interruptions we saw in June, we are pleased to be able to report continued progress and good performance in other areas such as priority services, water quality and unplanned outages.

Responding to unprecedented record high levels of demand, due to the hottest June since records began, our network treatment and distribution capacity was exceeded, which regrettably resulted in customers in the Wadhurst, Rotherfield and Mayfield area suffering a lengthy interruption over several days. During this time, we produced an additional 110 million litres of water per day, which is the equivalent of adding an additional four towns the size of Eastbourne or Maidstone to our network overnight. Despite all our assets functioning at full capacity, with demand rising to 678 million litres per day, our ability to keep up with demand was severely impacted, which regrettably led to customer outages.

This situation was compounded by the fact that the preceding six-weeks saw little to no rainfall across our supply area. Despite this, our raw water stocks were in a good position and reflected the careful planning undertaken to ensure we were prepared for summer. Regrettably, despite all our planning and preparation, this long, extreme period of hot weather challenged us deeply and, even with all our treatment works and water sources working at full output, we were unable to keep up with demand and return our drinking water storage tanks to acceptable levels.

On 16 June, we took the difficult but necessary decision to implement a temporary use ban (TUB), which came into effect on 26 June. Whilst we never do this lightly, it was necessary in our efforts to secure water supplies for our customers. The combination of implementing the TUB, effective customer messaging and a break in the extreme hot weather had the desired effect of reducing consumption and enabling us to recover water storage levels.

Although this was the second temporary use ban in two years, it is important to note that it is the first temporary use ban implemented due to demand alone and reflects the significant change we've seen in customer water usage, both domestic and agricultural, since the Covid-19 pandemic. It also highlights the very real and rapid increase in climate change we are seeing here in southeast England, which is something we have factored into our latest business plan for the 2025 to 2030 period.

We were delighted to have received 'Infrastructure Asset Sector Leader' status in the 2023 GRESB Infrastructure Assessment for our sustainability leadership. Each year, GRESB assesses and benchmarks the Environmental, Social, and Governance (ESG) performance of assets worldwide, which provides clarity and insights to financial markets on complex sustainability topics.

This GRESB Infrastructure Asset Sector Leader award recognises our outstanding leadership in sustainability and drive towards a net-zero future amongst an international business community.

## 2.0 Water Resources and Leakage

Groundwater levels remained healthy throughout the period having recovered to at least average levels by the end of the 2022/23 winter recharge period (March 2023). By the end of the six month period to September 2023, our boreholes were in the normal category or above, following a wet July to September period. Reservoir recovery was minimal during this period, which is normal, as flows dropped in the rivers that support their refill. By the end of the period Ardingly and Arlington reservoirs were both around 40 per cent full.

From a long-term planning perspective we published our Statement of Response to the consultation we undertook on our draft 2024 Water Resources Management Plan (WRMP24), and our revised draft WRMP24 at the end of August. Our focus over the next few years is to improve our operational resilience to high customer demand events, such as was experienced in June, with a strong focus on demand management. Our revised draft WRMP24 includes ambitious targets over the next few years to reduce household per capita consumption (PCC), non-household demand and leakage. We have committed to increase our activities in these areas to achieve our targets for AMP7 by 2025. This follows the effects of the Covid-19 pandemic which has impacted customer demand levels and patterns.

## 3.0 Customer Service

We have continued to see strong increases to the number of customers who have joined our Priority Services Register (PSR). Through active promotion of this support, as well as strategic partnerships with key organisations and support networks across our supply area, the current total number of customers on our PSR is 88,492, representing a 9.73 per cent increase since the beginning of this financial year. We continue to identify eligible customers from forming new relationships with local councils, the NHS, social care professionals, charities and other trusted organisations.

Our latest C-MeX scores have improved slightly for those customers who directly interact with us, predominantly via the telephone. Billing scores increased by +1.34 and Water by +1.38, resulting in an industry rank of 14th and 15th respectively out of 16 water companies. Our continued challenge is the impression of those customers who do not contact us, as we continue to decline in this area, driving our overall ranking for the quarter down to 16th.

Our on-going investment to enhance our systems thus enabling better communications for our customers continues at pace. We have implemented our new 'AquAlerter' which will provide regular updates to affected customer during an incident. The first deployment in August 2023 saw us reach 83 per cent of affected customers giving clear messages on the incident with timely updates and clarity on resolution timescales. This messaging system resulted in very few contacts received within our contact centre. We continue to build additional functionality in our on-line 'My Account', with nearly 50 per cent of our customers registered enabling tracking of water use and comparing their use to neighbours, downloading bills and managing payments.



## General Overview and Business Update continued

### 4.0 Health, Safety and Environment

The start of 2023 has seen the company build on its hybrid working philosophy, with more employees getting back into the offices and engaging with their colleagues. We experienced a single lost time incident within the first six months of the year. A technician dropped a valve cover onto the top of their foot resulting in several days off from work.

We launched an online Slips, Trips and Falls campaign during August. This was aimed at raising the awareness within our office-based employees, of the leading cause of lost time incidents within the company.

September saw us deliver our bi-annual Health and Safety Conference. This year's conference was targeted at our operational teams, focusing on the health and safety choices they make on a daily basis. We enlisted the support of an ex-employee from the water industry, who suffered a life changing incident. His story was very hard hitting and engaging for a lot of our operational teams. The discussion resulting from the conference has helped to refocus our teams.

### 5.0 Financial Performance in the six months ended 30 September 2023

The ring fenced Group includes the following companies:

- ▶ South East Water (Holdings) Limited
- ▶ South East Water Limited
- ▶ South East Water (Finance) Limited

South East Water (Finance) Limited is a 100 per cent subsidiary of South East Water Limited and South East Water Limited is a 100 per cent subsidiary of South East Water (Holdings) Limited.

The accounts for the SEW Group for the six months to 30 September 2023 have been prepared and these results are set out in the appendix. These accounts have been prepared under International Financial Reporting standards ("IFRS") and are not published but are prepared for internal use. The consolidated group accounts for South East Water Limited for the same six month period which are prepared on an IFRS basis are published on the Company's website (The accounts on the website exclude the results for South East Water (Holdings) Limited).

The entity accounts for SEWL are prepared under IFRS. The entity accounts for SEWH and SEWF are prepared under FRS 101, taking advantage of the exemptions from full IFRS reporting available under this standard.

#### Revenue

Turnover for the period was £147.1 million compared with £137.8 million for the same period in the previous year. The increase of £9.3 million is due to tariff increases which generated an additional £15.2 million. This was offset by £5.9 million due to lower consumption experienced this year when compared with the consumption during the summer 2022 heatwave. Other revenue showed a small increase in the period of £0.4 million, returning £6.6 million for the period.

#### Operating Costs

Operating costs were £117.8 million for the six months to 30 September 2023. This compares to costs of £110.2 million in the corresponding period for the previous year. The increase of £7.6 million was driven by increased reactive maintenance costs of £2.8 million, due to additional leakage gangs being employed associated with the series of exceptional weather events, and by inflationary pressures, such as chemicals (£0.8 million), bulk supply and abstraction charges (£0.8 million) and power (£0.7 million). Staff costs also increased by £1.3 million driven by an average staff pay award of 6.6 per cent, a budgeted increase in average FTE and higher underlying overtime. The transition to the cloud added a further £0.6 million in computer costs.

Depreciation charges in the period increased by £0.9 million and other cost increases totalled £1.6 million, while savings of £0.9 million were seen on the six month's business rates charge.

The results for the six months to 30 September 2023 included £3.0 million of atypical costs associated with the exceptional high temperatures in June 2023, including customer compensation of £1.5 million, bottled water costs of £0.7 million and other related charges of £0.8 million. There are also continued cash impacts associated with the exceptional weather events that took place in 2022/23 of £13.1 million. Off-setting these costs is a £4.5 million insurance receipt in relation to repair of the water storage reservoir at Aylesford. These are adjusting items for the calculation of the covenant metrics.

## Interest

Interest payable by the group for the six month period to 30 September 2023 was £59.2 million compared to £50.3 million in the prior year. The increase of £8.9 million reflects higher indexation charges on our four indexed linked loans of £2.9 million, due to a significant rise in inflation over the period. Additionally, cash interest on our index linked loans has increased by £1.2 million and interest on our variable rate bank loan has increased by £2.1 million due to the increase in the SONIA rate. During the period we drew £23 million (2022: £nil) from our revolving credit facility ("RCF") resulting in an increased interest charge during the period of £1.2 million. Interest payable by SEWH on its intercompany loan from Hastings Water (UK) Limited increased in the period by £1.5 million, again, reflecting the higher rates for SONIA.

Interest receivable for the six months to 30 September 2023, which comprises interest earned on bank deposits and returns on pension scheme assets, was £0.8 million, which is in line with the prior year.

Interest payable includes the following:

- ▶ **£7.5 million interest on listed debt/bonds (2022 – £7.2 million).**
- ▶ **£8.4 million indexation on index linked listed bonds (2022 – £12.6 million).**
- ▶ **£7.9 million interest on Index linked loans (including Artesian Finance loans) (2022 – £7.0 million).**
- ▶ **£22.4 million Indexation on Index linked loans (including Artesian Finance loans) (2022 – £15.3 million).**
- ▶ **£4.4 million interest payable by SEWH to group companies (2022 – £2.9 million).**
- ▶ **£3.2 million interest payable on fixed rate loan notes (2022 – £3.2 million).**
- ▶ **£4.8 million interest payable on variable rate loans (2022 – £1.5 million).**
- ▶ **£1.3 million relating to other interest and fees payable (2022 – £1.4 million).**
- ▶ **£(0.7) million capitalised interest (2022 – £(0.8) million).**

## Taxation

The Income Statement shows a tax credit of £5.2 million in the period compared to a credit of £4.5 million for the period to 30 September 2022. The tax credit in both years is primarily due to deferred tax arising on the deferral of capital allowances for future use.

## General Overview and Business Update continued

### Cash

The SEWH Group has cash and cash equivalent balances of £7.7 million as at 30 September 2023 compared with £22.2 million as at 30 September 2022. During the period the group drew £23 million (2022: £nil) from its revolving credit facility bringing the total balance outstanding on the facility to £53 million.

The restricted cash balance as at 30 September 2023 was £5.0 million compared to £5.5 million as at 30 September 2022. This is held in designated bank accounts to meet interest and associated payments falling due in respect of the group's senior debt.

## 6.0 Regulatory Update

### PR24

We submitted our PR24 Business Plan to Ofwat on 2nd October, which sets out how we are going to provide the public water service in the next five years. The plan includes a proposal to invest £1.9 billion into our network to deliver a reliable and high-quality service for our customers, whilst ensuring that the environment thrives.

Our operational capacity and resilience has been under severe pressure from the long-term impact of the Covid-19 pandemic and accelerated impact of climate change. Included in our plan is a significant investment into the capacity of our network to improve customer service, reduce customer supply interruptions and strengthen network resilience, all areas our customers tell us are important to them.

This business plan demonstrates a vital step forward for us by developing new water sources such as a reservoir at Broad Oak near Canterbury, increasing clean drinking water storage capacity, improving the interconnectivity of the network, implementing smart meters, using new technology to help reduce leaks and continuing our work with landowners to maintain excellent water quality.

### Ofwat's water company performance report

In September, our regulator Ofwat published their 'Water Company Performance Report 2022/23'. Whilst we always look closely at our regulator's view of our performance and respond accordingly, we are, of course, disappointed that our customer service and leakage performance has not met the stringent targets set by Ofwat.

For 14 of the past 15 years, we have achieved our regulatory targets for leakage, leading the industry in this field. Last year we faced exceptional challenges from events outside of our control, such as Storm Eunice and the summer heatwave, which was followed by flooding in the autumn and a severe freeze/thaw in the winter.

Those unprecedented extreme weather events were the cause of the majority of supply interruptions, but we appreciate that problems experienced by our customers will result in lower levels of customer satisfaction. Ofwat's review of 2022/23 categorises South East Water as a 'lagging company' as a result of us not meeting its expectations on five Performance Commitments (PCs) – leakage, supply interruptions, C-MeX, PCC and mains repairs. Ten companies were categorised as 'average', seven companies categories as 'lagging' and no companies were categorised as 'leading'. It should be noted that companies that did not meet four PCs were not categorised as 'lagging'. South East Water's performance and that of many companies in the industry were impacted by the severe adverse weather conditions in that year – a long drought in the summer of 2022, followed by a freeze/thaw with large temperature swings in the winter of 2022/23.

A number of regulatory actions result from being categorised as 'lagging'. We are submitting a 'Service Commitment Plan' to Ofwat and we will publish this on our website. We will also be required to submit quarterly progress updates to Ofwat.

### Ofwat investigation into supply resilience

In November, Ofwat launched an investigation into our supply resilience. We acknowledge the decision by Ofwat to open this investigation and will fully cooperate with them on this matter. Resilience forms a major focus for us, and is a significant part of our PR24 business plan, which has been submitted to Ofwat.



## 7.0 Capital Expenditure

This is the fourth year of our 2020 to 2025 investment period. Capital investment net of grants and contributions for the first half of 2023/24, the fourth year of the AMP7 five year programme, is £56.8 million.

For the first half of 2023/24:

- ▶ **£21.6 million (38 per cent) of investment has been made in the development of new assets and the enhancement of existing assets, including £14.2 million for the management of the supply demand balance and £7.4 million to meet the company's legal undertakings with respect to drinking water quality standards.**
- ▶ **£7.4 million (13 per cent) of investment has been made in the maintenance of its below ground assets. This investment is essential to maintain the performance of the mains network and maintain a stable level of service, thus preventing a rise in disruption to customers with the associated water quality and leakage issues. Investment in the period has been predominantly in the following key areas:**
  - Mains renewal programme.
  - Reactive mains burst repairs.
  - Reactive communication pipe and stop tap repairs and replacements.
- ▶ **£27.8 million (49 per cent) of investment has been made in the maintenance of its above ground assets. Again, this investment is essential in maintaining a stable level of service to its customers and has been targeted in the following key areas:**
  - Resource facilities.
  - Treatment works maintenance.
  - Service reservoirs and water towers.
  - Pumping stations.
  - Management and general spend such as IT infrastructure.

Construction has commenced on a new water treatment works in Kent which will provide 18 megalitres per day. This is planned to be supplying water to the region from April 2025.

## 8.0 Water Quality

Each year the Chief Inspector of the Drinking Water Inspectorate publishes a report summarising drinking water quality in England and Wales which includes a number of comparative compliance indices. These are also used by Ofwat to assess asset performance.

The company's overall Drinking Water Quality performance, as measured using the DWI's key performance indicator, the Compliance Risk Index (CRI), which assesses performance across all final water samples has improved year on year from 3.4 in calendar year 2018 to 1.48 in 2022 and is at 1.08 for the nine months to 30th September 2023. We have continued to drive improvements in performance across all of our assets through a combination of targeted investment and process optimisation.

The Event Risk Index (ERI) monitors how we proactively reduce the risk of water quality incidents across the supply network, including within customer properties. Our ERI result for the nine months to 30th September 2023 is 309. This is increased compared with 2022, primarily as a consequence of the extended impacts of the exceptional June weather event, but continues to compare favourably with an industry average performance for 2021 of 767, as a result of targeted investment and process optimisation at our treatment works and improved planning and risk assessment approach for our network operations. These results are based on 152,171 tests measured against EU and UK mandatory standards.

In addition to these regulatory tests the company carried out over 400,000 operational tests annually to ensure that our assets consistently performed to deliver excellent quality water to our customers.

## General Overview and Business Update continued

### 9.0 Outsourcing

The company continues to deliver a competitive tendering/outsourcing programme using a number of standard tools including:

- ▶ Call for competition (OJEU).
- ▶ Request for Information (RFI) and pre-qualification of potential vendors.
- ▶ Use of Achilles Utility Vendor Database (industry specific supplier database & qualification system).
- ▶ Invitation to Tender.
- ▶ Contract negotiation.

All procurement activities are compliant with relevant laws and undertakings including EU Utilities Contracts Regulations and the Outsourcing Policy of the Common Terms Agreement.

Contracts awarded, extended and/or signed (during last six months) include:

Supplier	Description	Contract Value
Siemens	Electromagnetic Flow Meters	£1,000,000
CLA-VAL UK	Pressure Reducing Valves	£320,000

Tenders in preparation and/or issued include:

Tenders In Hand	Estimated Contract Value
Boundary Boxes	£1,400,000
Clothing, PPE & Consumables	£1,400,000
Finance System	£2,600,000
HR & Payroll System	£1,500,000
Highway Surface Covers	£1,200,000

South East Water operates a sustainable procurement policy whereby suppliers of goods and services are rated for whole life cost, environmental impact and sustainability as part of the contract award decision criteria. The tender processes and documentation is packaged and securely managed with bidders electronically.

### 10.0 Financing

The Group has adequate liquidity with £7.4 million on the balance sheet at the half-year end and a further £72 million available to draw down on the authorised credit facility.

The Group has no debt maturity until December 2025, when a £120 million floating rate loan is due to mature.

### 11.0 Credit ratings

The credit rating of South East Water is covered by Moody's Investor Service ("Moody's") and Standard and Poor's ("S&P"). At the date of this report both credit ratings are unchanged from those outlined in the FY22/23 Annual Report.

	Moody's	S&P
Credit rating	Baa2 (stable outlook)	BBB (negative outlook)

### 12.0 Surplus

The SEWH Board approved £1.0 million of dividends to Hastings Water (UK) Limited in the first six months of this financial year.

## 13.0 Boards of directors

The South East Water Boards of directors is as follows:

### South East Water Limited

**C Train**

Independent Non-Executive Chair

**D Hinton**

Chief Executive Officer\*

**A Farmer**

Chief Financial Officer\*

**J Barnes**

Independent Non-executive Director

**L Clement**

Independent Non-executive Director

**C Pronto**

Independent Non-executive Director

**O Schubert**

Non-executive Director\*\*

**M McArdle**

Non-executive Director\*\*\*

**Nicolas Truillet**

Company Secretary

### South East Water (Holdings) Limited

**O Schubert**

Non-executive Director\*\*

**M McArdle**

Non-executive Director\*\*\*

### South East Water (Finance) Limited

**D Hinton**

Executive Director\*

**A Farmer**

Executive Director\*

**O Schubert**

Non-executive Director\*\*

**M McArdle**

Non-executive Director\*\*\*

\* Denotes an Executive Director

\*\* Denotes a Vantage appointee

\*\*\* Denotes a H.R.L. Morrison & Co. appointee

# Ratios

## 1. Historic

We confirm that in respect of the Calculation Date on 31 March 2023, by reference to the most recent financial statements that we are obliged to deliver to you in accordance with Paragraph 1 (Financial Statements) of Part 1 (Information Covenants) of Schedule 4 (Covenants) of the Common Terms Agreement that the ratios are as detailed in the table below in respect of the Calculation date on 31 March 2023.

Date	31-Mar-21	31-Mar-22	Calculation Date	31-Mar-24	31-Mar-25
RAR (at such Calculation Date or, in the case of forward-looking ratios, as at 31 March falling in the relevant Test Period)	78.4%	74.6%	74.0%	77.2%	78.2%
Test Period	1 Apr-20 to 31-Mar-21	1-Apr-21 to 31-Mar-22	1-Apr-22 to 31-Mar-23	1-Apr-23 to 31-Mar-24	1-Apr-24 to 31-Mar-25
ICR	3.55 x	3.96 x	3.05 x	2.72 x	2.77 x
Adjusted ICR	3.55 x	3.96 x	3.05 x	2.72 x	2.77 x
Average Adjusted ICR	3.50 x	3.18 x	2.83 x	2.83 x	2.83 x
Conformed Adjusted ICR	1.59 x	1.97 x	1.22 x	1.13 x	1.24 x
Conformed Average Adjusted ICR	1.59 x	1.44 x	1.20 x	1.20 x	1.20 x

## 2. Forward Looking

We confirm that each of the above Ratios has been calculated in respect of each of the relevant period(s) for which it is required under the Common Terms Agreement and has not breached the Trigger Event Ratio Levels and has not caused Paragraph 17 (Ratios) of part 2 (Event of Default (South East Water)) of Schedule 6 of the Common Terms Agreement to be breached.

3. We set out below the computation of the following ratios set out in the table in Paragraph 1 above for your information:

### a) RAR

	31-Mar-21 £m	31-Mar-22 £m	Calculation Date £m	31-Mar-24 £m	31-Mar-25 £m
<b>Senior Debt (Closing Balances)</b>					
Finance Leases	3.9	3.5	4.5	3.9	3.4
Debentures	1.0	1.0	1.0	1.0	1.0
Nominal Debt	166.0	166.0	166.0	166.0	166.0
Index Linked Bonds	177.4	190.9	216.0	230.5	236.4
Fixed Rate Loan Notes	175.0	225.0	225.0	225.0	225.0
Variable rate loans	120.0	120.0	120.0	120.0	120.0
Index Linked Loans	121.9	129.7	145.3	157.0	162.4
Index Linked Loans	280.2	291.0	326.9	356.4	365.1
Authorised Credit Facility	80.0	0.0	30.0	85.0	96.3
Total Senior Debt Closing Balance	1125.4	1127.1	1234.7	1344.9	1375.5
Less: Cash Balance	(41.7)	(14.5)	(4.0)	(1.2)	(5.9)
Senior Net Indebtedness	1083.7	1112.6	1230.7	1343.7	1369.6
Regulatory Capital Value	1,382.0	1,490.9	1,663.9	1,739.9	1,752.2
RAR	78.4%	74.6%	74.0%	77.2%	78.2%

## b) ICR

	1-Apr-20 to 31-Mar-21 £m	1-Apr-21 to 31-Mar-22 £m	1-Apr-22 to 31-Mar-23 £m	1-Apr-23 to 31-Mar-24 £m	1-Apr-24 to 31-Mar-25 £m
<b>Net Cash Flow</b>					
Net cash flow from operating activities	119.9	135.9	105.0	118.9	138.1
Exceptional items	0.0	0.0	13.0	11.6	5.4
Recoverable VAT	1.9	1.7	2.5	2.2	0.0
Corporation tax paid	0.1	0.1	0.1	0.1	0.0
Pension funding	0.0	0.0	0.0	0.0	0.0
Non-appointed	0.0	0.0	0.0	(2.0)	(4.6)
Net Cash Flow	121.9	137.6	120.5	130.7	138.9
<b>Senior Debt Interest</b>					
Leases	0.1	0.1	0.2	0.2	0.1
Debentures	0.0	0.0	0.0	0.0	0.0
Nominal Debt	14.7	14.7	15.7	15.7	15.7
Variable rate loan facility	2.1	1.9	4.3	10.6	11.7
Index Linked Debt	17.2	17.6	19.4	21.7	22.9
Financial Guarantor fees	0.3	0.3	0.3	0.3	0.3
Senior Debt Interest Payable	34.5	34.8	39.9	48.5	50.7
Interest Receivable	(0.1)	(0.0)	(0.4)	(0.5)	(0.5)
Senior Debt Interest	34.4	34.7	39.6	48.0	50.2
ICR	3.55 x	3.96 x	3.05 x	2.72 x	2.77 x

## c) Adjusted ICR

	1-Apr-20 to 31-Mar-21 £m	1-Apr-21 to 31-Mar-22 £m	1-Apr-22 to 31-Mar-23 £m	1-Apr-23 to 31-Mar-24 £m	1-Apr-24 to 31-Mar-25 £m
Net Cash Flow	121.9	137.6	120.5	130.7	138.9
<b>CCD &amp; IRC</b>	0.0	0.0	0.0	0.0	0.0
CCD	0.0	0.0	0.0	0.0	0.0
IRC	0.0	0.0	0.0	0.0	0.0
Total regulatory depreciation	0.0	0.0	0.0	0.0	0.0
Net Cash Flow after regulatory depreciation	121.9	137.6	120.5	130.7	138.9
Senior Debt Interest	34.4	34.7	39.6	48.0	50.2
Adjusted ICR	3.55 x	3.96 x	3.05 x	2.72 x	2.77 x



## Ratios continued

## d) Average Adjusted ICR

	1-Apr-20 to 31-Mar-21 £m	1-Apr-21 to 31-Mar-22 £m	1-Apr-22 to 31-Mar-23 £m	1-Apr-23 to 31-Mar-24 £m	1-Apr-24 to 31-Mar-25 £m
Net Cash Flow	121.9	137.6	120.5	130.7	138.9
<b>CCD &amp; IRC</b>	0.0	0.0	0.0	0.0	0.0
CCD	0.0	0.0	0.0	0.0	0.0
IRC	0.0	0.0	0.0	0.0	0.0
Total regulatory depreciation	0.0	0.0	0.0	0.0	0.0
Net Cash Flow after regulatory depreciation	121.9	137.6	120.5	130.7	138.9
Senior Debt Interest	34.4	34.7	39.6	48.0	50.2
Adjusted ICR	3.55 x	3.96 x	3.05 x	2.72 x	2.77 x
Average Adjusted ICR	3.50 x	3.18 x	2.83 x	2.83 x	2.83 x

## e) Conformed Adjusted ICR

	1-Apr-20 to 31-Mar-21 £m	1-Apr-21 to 31-Mar-22 £m	1-Apr-22 to 31-Mar-23 £m	1-Apr-23 to 31-Mar-24 £m	1-Apr-24 to 31-Mar-25 £m
Net Cash Flow	121.9	137.6	120.5	130.7	138.9
RCV Depreciation	51.7	55.6	62.0	65.3	66.7
Capitalised IRE	15.5	13.6	10.3	11.0	10.0
Total regulatory depreciation	67.2	69.2	72.3	76.3	76.7
Net Cash Flow after regulatory depreciation	54.7	68.4	48.2	54.4	62.2
Senior Debt Interest	34.4	34.7	39.6	48.0	50.2
Conformed Adjusted ICR	1.59 x	1.97 x	1.22 x	1.13 x	1.24 x

## f) Conformed Average Adjusted ICR

	1-Apr-20 to 31-Mar-21 £m	1-Apr-21 to 31-Mar-22 £m	1-Apr-22 to 31-Mar-23 £m	1-Apr-23 to 31-Mar-24 £m	1-Apr-24 to 31-Mar-25 £m
Net Cash Flow	121.9	137.6	120.5	130.7	138.9
RCV Depreciation	51.7	55.6	62.0	65.3	66.7
Capitalised IRE	15.5	13.6	10.3	11.0	10.0
Total regulatory depreciation	67.2	69.2	72.3	76.3	76.7
Net Cash Flow after regulatory depreciation	54.7	68.4	48.2	54.4	62.2
Senior Debt Interest	34.4	34.7	39.6	48.0	50.2
Conformed Adjusted ICR	1.59 x	1.97 x	1.22 x	1.13 x	1.24 x
Conformed Average Adjusted ICR	1.59 x	1.44 x	1.20 x	1.20 x	1.20 x

4. We certify that the Annual Finance Charge is £47.2 million.

5. Annual Finance Charge calculation:

	31 March 2024 £m
<b>Senior Debt Interest</b>	
Finance Leases	0.1
Debentures	0.0
Nominal Debt (£166 million)	9.3
Fixed rate loan notes	6.4
Variable rate loan	7.2
Index Linked Bonds (£130 million)	5.6
Index linked loans (USS)	3.7
Index Linked Loans	12.3
Working Capital Facility	2.6
Ambac fee	0.3
	47.5
Less: interest earned	(0.4)
12 Months Total	47.2

Total payments into the DSR Accounts for the period to 30 September 2023 were £23.9 million.


6. We also confirm that:

- (a) no Default of Potential Trigger Event is outstanding; and
- (b) that South East Water's insurance's are being maintained in accordance with:
  - (i) the Common Terms Agreement; and
  - (ii) the provisions of the Finance Leases



**Director**

For and on behalf of  
South East Water Limited



**Director**

For and on behalf of  
South East Water (Finance) Limited



**Director**

For and on behalf of  
South East Water (Holdings) Limited

# Appendix 1

## Financial Statements

### South East Water (Holdings) Limited Consolidated profit & loss account

for the six months ended 30 September 2023

	Companies £'m	Eliminations £'m	Group £'m
<b>Turnover</b>	147.1	-	147.1
Operating costs	(117.8)	-	(117.8)
Profit/(loss) on disposal of fixed assets	-	-	-
Other operating income	6.6	-	6.6
<b>Operating profit</b>	35.9	-	35.9
Income from investments	2.3	(2.3)	-
Interest receivable – group	-	-	-
Interest receivable – other	0.3	-	0.3
Interest payable – group	(4.4)	-	(4.4)
Interest payable – other	(54.8)	-	(54.8)
Return on pension scheme assets	0.5	-	0.5
Profit on sale of intangible assets	-	-	-
<b>Profit on ordinary activities before taxation</b>	(20.2)	(2.3)	(22.5)
Tax (charge)/credit on profit on ordinary activities	5.2	-	5.2
<b>Profit/(loss) on ordinary activities after taxation</b>	(15.0)	(2.3)	(17.3)
<b>Dividends</b>	(3.3)	2.3	(1.0)
	(18.3)	-	(18.3)
STRGL – pension	(3.6)	-	(3.6)
<b>Profit/(loss) for period taken to reserves</b>	(21.9)	-	(21.9)

## South East Water (Holdings) Limited Consolidated balance sheet

for the six months ended 30 September 2023

	Companies £'m	Eliminations £'m	Group £'m
Tangible assets	1,768.1	-	1,768.1
Investments	361.4	(361.4)	-
Net Current (liabilities)/assets	(28.4)	-	(28.4)
Creditors: amounts falling due after more than one year	(216.2)	-	(216.2)
Current asset investments	-	-	-
Cash and cash equivalents:			
Current accounts	2.7	-	2.7
DSR	5.0	-	5.0
O&M	-	-	-
First loss account	-	-	-
Financing liabilities			
Intra group loan creditors	(546.0)	546.0	-
Intra group loan debtors	546.0	(546.0)	-
Other HDF group loans	(82.2)	-	(82.2)
Debentures	(1.0)	-	(1.0)
Finance leases	(4.1)	-	(4.1)
Bonds	(296.0)	-	(296.0)
Indexation	(94.4)	-	(94.4)
Artesian loans	(269.0)	-	(269.0)
Indexation	(225.6)	-	(225.6)
Loan notes	(225.0)	-	(225.0)
Variable rate loan	(120.0)	-	(120.0)
Unamortised costs	5.3	-	5.3
Bank loans	(53.0)	-	(53.0)
Net pension liability	21.3	-	21.3
<b>Net assets</b>	<b>548.9</b>	<b>(361.4)</b>	<b>187.5</b>
<b>Capital and reserves</b>			
Called up share capital	194.7	(49.3)	145.4
Revaluation reserve	211.0	-	211.0
Profit and loss account b/fwd.	162.8	(312.1)	(149.3)
Profit/(Loss) for period	(19.6)	-	(19.6)
<b>Capital employed</b>	<b>548.9</b>	<b>(361.4)</b>	<b>187.5</b>

**Financial Statements** continued**South East Water (Holdings) Limited  
Consolidated movement in the profit and loss reserve**

for the six months ended 30 September 2023

	Companies £'m	Eliminations £'m	Group £'m
At 1 April 2023	162.8	(312.1)	(149.3)
Profit for the year	(15.0)	(2.3)	(17.3)
Pension scheme in STRGL	(3.6)	-	(3.6)
Dividends	(3.3)	2.3	(1.0)
Movement through reserves	2.3	-	2.3
	(19.6)	-	(19.6)
At 30 September 2023	143.2	(312.1)	(168.9)