

*Trustee's annual report and financial
statements for the year ended
31 March 2025*

Water Companies Pension Scheme

Registered number: 10191929

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Trustee and its advisers

Trustee	The Water Companies (Pension Fund) Trustee Company
Trustee Directors	Anthony Ferrar (Chairman) Alan Parsons Anna Maughan Ian Davies* Joe Carter Rob O'Malley Sarah Brown (resigned 29 August 2025) Stephen Cockbill* Stephen Kay*
	*Member nominated director.
Secretary to the Trustee	Anna Maughan
Scheme Actuary	Susan Brierley FIA, Lane Clark & Peacock LLP ("LCP")
Pension administrator	Lane Clark & Peacock LLP Aviva plc (for the Bristol Water Section from July 2025)
Investment adviser	Lane Clark & Peacock LLP
Independent auditor	Deloitte LLP
Investment manager	Columbia Threadneedle Investments ("CTI")
Annuity providers	Aviva plc ("Aviva") Just Retirement Limited ("Just")
Defined Contribution ("DC") and Additional Voluntary Contribution ("AVC") provider	Prudential Assurance Company Limited ("Prudential")
Legal adviser	Linklaters LLP
Banker	HSBC UK Bank plc
Enquiries	All general enquiries about the Scheme should be sent to: The Secretary The Water Companies (Pension Fund) Trustee Company c/o HomeServe Cable Drive Walsall WS2 7BN
	Requests from individuals for information about their benefits should be sent to: Water Companies Administration Team Lane Clark & Peacock LLP St Paul's House St Paul's Hill Winchester Hampshire SO22 5AB Email: WaterCompanies@lcp.uk.com

Trustee's report

The Trustee is pleased to present its annual report on the Water Companies Pension Scheme ("the Scheme"), together with the financial statements of the Scheme for the year ended 31 March 2025.

Constitution of the Scheme

The Scheme was set up under section 27(2) of the Water Act 1973, to provide the employees of the Statutory Water Companies with pension benefits comparable with those provided by the Water Authorities Superannuation Fund. This requirement, however, ceased with effect from September 1989 as a result of the Water Act 1989.

The Scheme is registered under the Finance Act 2004. To the Trustee's knowledge, there is no reason why the tax status should be prejudiced.

The Scheme is a sectionalised scheme which currently has six separate "Sections". Each Section provides Defined Benefit ("DB") benefits for the employees and former employees of the Employers participating in that Section. Each Employer participates in only one Section within the Scheme. Whilst investments are made on a pooled basis, the assets in respect of the DB benefits provided by each Section are notionally segregated and reviewed monthly. There is no cross subsidy between the different Sections in the Scheme.

The Bristol Water Section of the Scheme also provides DC benefits to some members. Prior to 1 April 2016, members of the Bristol Water Section who joined on or after 1 July 1994 had the option to accrue DC benefits in addition to the DB benefits provided to them under the Section's Rules.

All Sections of the Scheme are now closed to future accrual with all benefits fully insured.

At 31 March 2025 the Bristol Water Section was fully insured and in the process of winding-up. Individual insurance policies were assigned to individuals after the year-end. It is currently expected that the Section will complete wind-up by 31 March 2026.

Management of the Scheme

The Trustee of the Scheme is The Water Companies (Pension Fund) Trustee Company, a company registered in England and Wales and limited by guarantee. The Directors of the Trustee Company have been appointed in accordance with the requirements of the Pensions Acts 1995 and 2004 and its annual financial statements are filed at Companies House; copies are also available from the Secretary.

The Council for the Trustee Company is made up of the Directors shown on page 3. The policy on the Composition of the Council (which was last updated in September 2022) sets out the provisions relating to the appointment and removal of Directors, which are subject to legislative requirements in respect of member nominated directors and the Articles of Association of the Trustee Company. The Trustee Company is required to administer the Scheme in the best interest of its members. To this end, the Trustee Company employs professional advisers in pensions administration, investment and financial management and takes legal advice as required. The Council meets regularly (at least four times a year) to supervise the operation of the Scheme and its financial management.

Financial statements and financial development of the Scheme

The financial statements have been prepared and audited in accordance with regulations made under sections 41(1) and (6) of the Pensions Act 1995.

The fund account and statement of net assets (available for benefits) on pages 16 and 17 show that the value of the Scheme's assets decreased by £61,121,000 to £400,652,000 during the year. The decrease was composed of net withdrawals from dealings with members of £27,262,000 together with net losses on investments of £33,859,000.

Further details of the financial developments of the Scheme may be found in the audited financial statements on pages 16 to 31.

Transfer values

Cash equivalents paid during the year with respect to transfers have been calculated and verified in the manner prescribed by the Pension Schemes Act 1993 and in accordance with the regulations under the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008, Pensions Act 2004.

Transfer values for members of the Bristol Water Section are calculated by Aviva (the annuity provider) using their transfer value basis. Transfer values for the remaining Sections are calculated by Just (the annuity provider) using their transfer value basis based on the benefits currently insured but allowing for GMP equalisation. The Trustee then applies any necessary adjustments for changes in member data from the benefits insured by Just.

No discretionary benefits were included in the calculation of the transfer values.

Pension increases

Scheme pensions in payment in excess of Guaranteed Minimum Pensions ("GMP") are increased each April in accordance with the Pensions Increase (Review) Order, subject to certain caps and collars as specified in each Sections Trust Deed & Rules.

GMP benefits are increased as required by statute.

In April 2024, pensions in payment that exceeded GMP and not subject to a cap were generally increased by 6.7% in accordance with the index defined by the Pensions Increase (Review) Order. The statutory increase on Post 88 GMP pensions in payment was 3.0%.

Following the removal of inequalities in GMP for the Bristol Water Section via GMP conversion with effect from 1 March 2021, there are two tranches of Minimum Scheme Pension ("MSP") within the Bristol Water Section. One tranche of MSP receives nil increases in payment (in line with Pre 88 GMP in payment). The other tranche increases in payment in line with CPI inflation, up to a maximum of 3.0% pa (in line with Post 88 GMP in payment) and so was increased by 3.0% in April 2024.

Deferred pensions and as of right lump sums (for members who have left the Scheme with an entitlement to preserved benefits) are also generally increased in accordance with the Pensions Increase (Review) Orders subject to certain caps and collars as specified in each Section's Trust Deed & Rules. There was therefore a 6.7% increase in April 2024 where no cap applied.

There were no discretionary increases applied to members' pensions.

Guaranteed Minimum Pension equalisation

On 26 October 2018 the High Court ruled in the Lloyds Banking Group case that inequalities in scheme benefits arising from GMP should be removed. Subsequently, on 20 November 2020 the High Court ruled that historical individual transfers from the scheme would also be due a top-up payment where the original transfer payment fell short of what it would have been had the inequalities in scheme benefits from GMP been removed. Effective from 1 March 2021, the Trustee removed the inequalities in GMP accrued from 17 May 1990 in the Bristol Water Section via a GMP conversion exercise. This followed a period of consultation with members.

In respect of the other Sections, the Trustee has now finalised the adjustments to benefits as required. The Trustee decided to equalise benefits adopting "method B" under the Lloyds judgement for all Sections, to which each sponsoring employer agreed. Arrears payments to members were made in the Scheme year ended 31 March 2025. The impact on the Scheme of any backdated benefits and related interest that was payable and due before the effective date of the accounts was not material. The Trustee removed the inequalities in GMP accrued from 17 May 1990 effective for members currently in the other Sections from the following dates:

- Cambridge Water - 1 June 2024
- Dee Valley Water - 1 October 2024
- HomeServe - 1 November 2024
- South Staffordshire Water - 1 July 2024
- Sutton & East Surrey Water - 1 August 2024.

Work has commenced on determining whether there are any top-up payments due to former members of these Sections.

Report on actuarial liabilities

The reports on actuarial liabilities for each of the Sections are included on pages 34 to 39.

Membership

The membership of the Scheme at the beginning and end of the year and changes during the year are set out below.

Deferred members	2025
Deferred members at the start of the year	661
Retirements	(45)
Full commutation	(1)
Deaths	(4)
Deferred members at the end of the year	611

Included within the deferred membership as at 31 March 2025 are 70 (2024: 72) members who also have DC benefits in the Bristol Water Section.

Pensioner members	2025
Pensioners at the start of the year	1,964
New pensioners	45
New dependants	27
Full commutation	(1)
Deaths	(73)
Pensioners at the end of the year	1,962

Pensioners include 433 dependants (2024: 429) in receipt of a pension following the death of a member.

All members' benefits are secured by annuities.

Regulatory bodies

The Pensions Ombudsman is appointed by the Secretary of State for the Department for Work and Pensions to investigate and determine any complaint or dispute of fact of law in relation to occupational pension schemes.

The Pensions Ombudsman can be contacted at:

Email: enquiries@pensions-ombudsman.org.uk

Tel: 0800 917 4487

www.pensions-ombudsman.org.uk

The Pensions Regulator is responsible for occupational pension schemes and enforcing the law that relates to them. It has wide ranging powers which include the ability to:

- suspend, disqualify and remove Trustees for consistently not carrying out their duties;
- wind up schemes where necessary;
- apply for information to prevent the misuse and misappropriation of scheme assets and apply for restitution where necessary; and
- take action to prevent schemes being left in deficit with nobody to meet the liability.

The Trustee, its advisers, the Employers and anyone connected with the administration of the Scheme have a statutory duty to report in writing to The Pensions Regulator if there are any breaches of legislation which are deemed to be materially significant to The Pensions Regulator.

The Trustee also has certain responsibilities in respect of contributions which are set out in the statement of Trustee's responsibilities.

The Pensions Regulator can be contacted at:

The Pensions Regulator
Telecom House
125-135 Preston Road
Brighton
BN1 6AF

Tel: 0345 600 0707
www.thepensionsregulator.gov.uk

The Pension Tracing Service is designed to help former members of pension schemes trace their benefits if they have lost contact with the pension scheme in question. The Pension Tracing Service can be contacted at:

Tel: 0800 731 0193
www.gov.uk/find-pension-contact-details

The Money & Pensions Service ("MaPS") is available at any time to assist members and beneficiaries with pensions questions and issues they have been unable to resolve with the Trustee of the Scheme. MaPS has launched MoneyHelper, which brings together the Money Advice Service, The Pensions Advisory Service and Pension Wise to create a single place to get help with money and pension choices. MoneyHelper is impartial, backed by the Government and free to use.

The Money and Pensions Service
Bedford Borough Hall
138 Cauldwell Street
Bedford
MK42 9AB

Tel: 0800 011 3797
https://www.maps.org.uk/en

Further information

Any enquiries about the Scheme or a member's own pension position should be addressed to the Secretary or administrator as per page 3 of this report.

Internal Dispute Resolution Procedure

Under the Pensions Act 1995, the Scheme is required to put in place and maintain an Internal Dispute Resolution Procedure ("IDRP") to deal with members' disputes. This procedure has been updated in line with the requirements of the Pensions Act 2004. Although the Trustee always tries to resolve disputes informally and swiftly, an IDRP has been put in place. The formal IDRP is a two-stage process and details can be obtained from the Secretary or the Administration Team. In the first instance, complaints should be sent to the Administration Team at the address on page 3.

Investment management

The overall management of the Trustee's investments is the responsibility of the Trustee. However, the day-to-day management of the Scheme's asset portfolio is the responsibility of the investment manager and bulk annuity providers, who operate within the guidelines of their specific mandates.

During the year, the investments of the Scheme were managed by CTI.

In addition, the Trustee had bulk annuity policies with Just and Aviva to insure the benefit payments of all of the Scheme's members, as well as DC and AVC investments managed by Prudential.

Custodial arrangements

The underlying assets managed by CTI are held by a custodian who has an agreement with CTI. There is no direct relationship between CTI's custodian and the Trustee.

Statement of Investment Principles

In accordance with section 35 of the Pensions Act 1995, a Statement of Investment Principles ("SIP") has been produced by the Trustee for each Section following consultation with the Employers. The main purpose of the SIPs are to set out details of the investment strategy that is to be followed, the Trustee's investment objectives and its attitude to risk.

The SIPs were not reviewed during the Scheme year. The SIPs were last reviewed and updated in June 2023 following 5 of the Sections entering into bulk annuity contracts with Just. The Trustee reviews the SIPs at least once every three years, and after any significant change in investment strategy. The Employers, the appointed investment adviser, and the appointed Scheme Actuary are consulted during the review.

A copy of the latest SIPs for each Section are available on request and on the Scheme's member website at: <https://watercompanies.lcp.uk.com/>.

Implementation statement

The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 requires the Trustee to include an annual statement confirming the extent to which the Trustee has followed its SIPs, including details of any reviews or subsequent changes to the SIP during the Scheme year.

The Implementation Statement relating to the Scheme has been appended to the end of this report as Appendix 2. The Statement forms part of this Trustee's report.

Investment strategy

The broad investment objectives are agreed by the Trustee, having consulted with the Sponsoring Employers. Within the context of these risk and return objectives, the Trustee, taking advice from the Scheme's investment adviser, decides on the overall allocation of assets between the various asset classes, and selects the appropriate managers within each asset class.

The primary objective is to meet benefit payments. To achieve this, the Trustee has entered into bulk annuity contracts with Aviva and Just. The Scheme's bulk annuity policies are designed to match the pensions payable to the Scheme's members.

Throughout the year, the Scheme's residual invested assets (assets excluding the buy-in contracts, AVC and DC investments) were invested in a money market fund with CTI. The Trustee monitors this asset allocation from time to time and considers, with the help of its advisers, whether the allocation remains appropriate.

The following tables detail the asset distribution at the financial year end:

Fund	Asset class	2025 £'000	2024 £'000
CTI Sterling Liquidity Fund	Cash	31,968	33,222

Investment performance

The performance of the investment managers was reviewed periodically at the Trustee's meetings, before the Scheme's full buy-in. The following table shows the performance of the Scheme over the one, three and five year periods to 31 March 2025, based on the performance of the investment managers before the deduction of fees (excluding buy-in contracts).

	1 year (%)	3 years pa (%)	5 years pa (%)
Scheme	5.2	-5.2	-2.2
Benchmark	4.9	-4.4	-1.6

The pensioner buy-in policy has been excluded because the asset value of the policy exactly matches the value of the actuarial liability and so there is no net exposure to the Scheme. Consequently, the Trustee believes that the provision of such a return is not meaningful in the context of investment performance, but acknowledges that this is a departure from recommended practice.

Trustee's policies in relation to voting rights

The Trustee recognises its responsibilities as an owner of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments. The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks and environmental, social, governance ("ESG") considerations.

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity. It expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, as provided to the Trustee from time to time, taking into account the long-term financial interests of the beneficiaries.

The Trustee seeks to appoint managers that have strong stewardship policies and processes, reflecting where relevant the recommendations of the UK Stewardship Code issued by the Financial Reporting Council, and from time to time the Trustee reviews how these are implemented in practice.

However, where the Trustee holds assets in pooled funds, the Trustee has limited influence over managers' stewardship practices, but it encourages its managers to improve their practices where appropriate.

Trustee's policies on environmental, social and governance and ethical factors

The Trustee has considered how ESG and ethical factors should be taken into account in the selection, retention and realisation of investments, given the time horizon of the Scheme and its members.

The Trustee expects its investment managers to take account of financially material considerations (including climate change and other ESG considerations). The Trustee seeks to appoint managers that have appropriate skills and processes to do this, and from time to time reviews how its managers are taking account of these issues in practice. The Trustee has limited influence over managers' investment practices where assets are held in pooled funds, but it encourages managers to improve their practices where appropriate.

The Trustee does not take into account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

Trustee's policy on the implementation of asset manager arrangements

The Trustee has signed investment management agreements, insurance policies or application documents with the investment managers to manage the Scheme's assets, setting out the terms on which the assets are managed.

The Trustee has limited influence over managers' investment practices because all the Scheme's assets are held in pooled funds, but it encourages its manager to improve their practices where appropriate.

The Trustee's view is that the fees paid to investment managers, and the possibility of their mandate being terminated, ensures they are incentivised to provide a high-quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

It is the Trustee's responsibility to ensure that managers' investment approaches are consistent with its policies before any new appointment, and to monitor and to consider terminating any existing arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. It assesses this when selecting and monitoring managers.

The Trustee evaluates investment manager performance by considering performance over both shorter and longer-term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. Generally, the Trustee would be unlikely to terminate a mandate on short-term performance grounds alone.

The Trustee's policy is to evaluate each of its investment managers by reference to the manager's individual performance as well as the role it plays in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the investment managers. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme's investment mandates.

Employer-related investment

As at 31 March 2025 there were no employer-related investments in the Scheme, within the meaning of Section 40(2) of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 (2024: None).

During the year, the Q2 2024 deficit contributions of £85,000 and £150,000, due in respect of the Cambridge Water and South Staffordshire Water Sections were paid 19 days late on 7 August 2024. During that period these constituted an employer-related investment.

Statement of Trustee's responsibilities

The financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102), are the responsibility of the Trustee. Pension Scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of that year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in the Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparing of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an annual report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is responsible for the maintenance and integrity of the corporate and financial information included on the Scheme's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Trustee responsibilities in respect of contributions

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Employers of the Scheme and the dates on or before which such contributions are to be paid.

The Trustee is also responsible for adopting risk-based processes to monitor whether contributions are made to the Scheme by the Employers in accordance with the Schedules of Contributions. Where breaches of the Schedules of Contributions occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

Signed for and on behalf of the Trustee:

Trustee Director

14 October 2025
Date: _____

Trustee Director

14 October 2025
Date: _____

Independent Auditor's Report to the Trustee of the Water Companies Pension Scheme

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Water Companies Pension Scheme (the 'Scheme'):

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2025 and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

We have audited the financial statements which comprise:

- the fund account;
- the statement of net assets (available for benefits); and
- the related notes 1 to 30.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Trustee is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Responsibilities of the Trustee

As explained more fully in the Trustee's responsibilities statement, the Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Scheme'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 Trustee either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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 Scheme's industry and its control environment, and reviewed the Scheme'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, including those that are specific to the Scheme's business sector.

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included Pension Act 1995, the Pensions Act 2004, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Scheme's ability to operate or to avoid a material penalty. These included Scheme's regulatory requirements.

We discussed among the audit engagement team including relevant internal specialists, such as actuarial specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the misappropriation of investment assets due to the significant size of investment transactions and balances. In response we have: obtained an understanding of the relevant controls over investment holdings and transactions; agreed investment holdings to independent confirmations; and agreed investment and cash reconciliations to independent sales and purchase reports and bank statements.

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:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of the Trustee, pension management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of Trustee meetings and reviewing correspondence with The Pensions Regulator.

Use of our report

This report is made solely to the Scheme's Trustee, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP

Deloitte LLP
Statutory Auditor
Belfast, United Kingdom

Date: 14 October 2025

Fund account

	Note	2025 £'000	2024 £'000
Contributions and benefits			
Employer contributions		1,445	26
Employee contributions		-	41
Total contributions	4	1,445	67
Other income	5	1	1
		1,446	68
Benefits paid or payable	6	(25,665)	(23,152)
Payments to and on account of leavers	7	(203)	(593)
Administrative expenses	8	(2,840)	(2,395)
Other payments	9	-	(7)
		(28,708)	(26,147)
Net withdrawals from dealings with members		(27,262)	(26,079)
Returns on investments			
Investment income	10	24,965	22,356
Change in market value of investments	11	(58,798)	(38,442)
Investment management expenses	14	(26)	(27)
Net return on investments		(33,859)	(16,113)
Net decrease in the fund during the year		(61,121)	(42,192)
Net assets of the Scheme			
At 1 April		461,773	503,965
At 31 March		400,652	461,773

The notes on pages 18 to 31 form part of these financial statements.

Statement of net assets (available for benefits)

	Note	2025 £'000	2024 £'000
Investment assets			
DB - Pooled investment vehicles	11/16	31,968	33,222
DC - Pooled investment vehicles	11/13	1,859	1,797
Insurance policies	11/17	364,134	427,274
AVC investments	11/18	17	27
Other investment balances	11/19	2,598	519
		400,576	462,839
Current assets	24	1,882	1,318
Current liabilities	25	(1,806)	(2,384)
Net assets of the Scheme at 31 March		400,652	461,773

The notes on pages 18 to 31 form part of these financial statements.

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations for the DB section, is dealt with in the Reports on actuarial liabilities on pages 34 to 39 and these financial statements should be read in conjunction with these reports.

These financial statements were approved for and on behalf of the Trustee by:

Trustee Director

Date: 14 October 2025

Trustee Director

14 October 2025
Date: _____

Notes to the financial statements

1. Basis of preparation

The individual financial statements of the Scheme have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice (revised June 2018) ("the SORP").

The Trustee has assessed whether the going concern assumption is appropriate, considering a period of at least 12 months from the date of approval of the financial statements, based on information available at the time of approval. In reaching its assessment, the Trustee assesses the employer covenant and considers whether there are any other factors that could impact this assessment. The Trustee has concluded that it is reasonable to produce financial statements for the year ending 31 March 2025 on a going concern basis.

2. Identification of the financial statements

The Scheme is established as a trust under English law. The Scheme is a registered pension scheme for tax purposes. It is therefore exempt from UK income and capital gains taxes. The Scheme is a sectionalised DB pension scheme, with one Section also providing DC benefits to some members alongside the DB benefits. All of the Sections are closed to new members and to future accrual. The address for enquiries to the Scheme can be found on page 3.

3. Accounting policies

The principal accounting policies of the Scheme have been applied consistently and are as follows:

3.1. Currency

The Scheme's functional currency and presentational currency is pounds sterling (GBP). Assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year end. Foreign currency transactions are translated into sterling at the spot exchange rate at the date of the transaction. Gains and losses arising on conversion or translation are dealt with as part of the change in market value of investments.

3.2. Contributions

- Employer normal contributions that are expressed as a rate of salary are accounted for on the same basis as the employees' contributions, in accordance with the Schedules of Contributions in force during the year.
- Employee contributions are accounted for by the Trustee when they are deducted from pay by the Employer.
- Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions and Recovery Plans under which they are being paid.

3.3. Other income

- Other forms of income are accounted for on an accruals basis.

3.4. Benefits paid or payable

- Pensions in payment, including pensions funded by annuity contracts, are accounted for in the period to which they relate.
- Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.
- Other benefits are accounted for on an accruals basis on the date of retirement or death as appropriate.

3.5. Payments to and on account of leavers

- Individual transfers out of the Scheme are accounted for on a cash basis which is usually when a members' liability is discharged.

3.6. Administrative and other payments

- Administrative expenses are accounted for on an accruals basis.

3.7. Investment income and change in market value

- Income from pooled investment vehicles which distribute income, is accounted for when the dividend is declared.
- Other interest on cash and short-term deposits are accounted for on an accruals basis.
- Receipts from annuity policies held by the Trustee to fund benefits payable to Scheme members are included within investment income on an accruals basis.
- The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

3.8. Investment management expenses and transaction costs

- Investment management expenses are accounted for on an accruals basis and shown within investment returns.
- Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees.

3.9. Investment assets/liabilities

- Investment assets and liabilities are included in the financial statements at fair value. Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the closing price, single dealing price or most recent transaction price is used.
- Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value, determined in accordance with fair value principles, provided by the pooled investment manager.
- Annuities purchased in the name of the Trustee which fully provide the pension benefits for certain members are included in these financial statements. In order to calculate the fair value of the assets at 31 March 2025, an Actuary has estimated how much it would have cost to insure the benefits at 31 March 2025 on equivalent terms to those secured with the annuity provider at the outset.

3.10. Key accounting estimates and assumptions

- The Trustee makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. For the Scheme, the Trustee believes the only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of net assets within the next financial year are related to the valuation of the insurance policies. Explanation of the key assumptions underpinning the valuation of the insurance policies is included within note 17.

4. Contributions

	2025 £'000	2024 £'000
Employer contributions:		
Normal	-	26
Deficit funding	1,445	-
	<hr/>	<hr/>
	1,445	26
Employee contributions:		
Normal	-	41
	<hr/>	<hr/>
	1,445	67

Deficit contributions of £150,000 and £85,000 were due quarterly from the South Staffordshire Water and Cambridge Water Sections respectively from April 2024 to March 2025 inclusive, in accordance with the Schedules of Contributions.

The Q2 2024 deficit contributions of £85,000 and £150,000, due in respect of the Cambridge Water and South Staffordshire Water Sections were paid 19 days late on 7 August 2024.

5. Other income

	2025 £'000	2024 £'000
Sundry income	<hr/>	<hr/>
	1	1

6. Benefits paid or payable

	2025 £'000	2024 £'000
Pensions	23,733	21,730
Commutation of pensions and lump sum retirement benefits	1,802	1,338
Lump sum death benefits	130	84
	<hr/>	<hr/>
	25,665	23,152

7. Payments to and on account of leavers

	2025 £'000	2024 £'000
Individual transfers out to other schemes	<hr/>	<hr/>
	203	593

8. Administrative expenses

	2025 £'000	2024 £'000
Administration and processing	1,211	826
Actuarial fees	1,245	1,261
Legal fees	313	235
Trustee fees and expenses	65	72
Pension Protection Fund ("PPF") levies and regulatory fees	5	-
Bank and sundry charges	1	1
	2,840	2,395

In addition to those disclosed above, some of the costs of the Scheme, including PPF levies, were historically paid for directly by the Employers, however following the buy-ins, these fees are being met by the Scheme from the surplus. The audit fees are paid for by the Water Companies (Pension Fund) Trustee Company.

9. Other payments

	2025 £'000	2024 £'000
Interest paid	-	7

10. Investment income

	2025 £'000	2024 £'000
Income from pooled investment vehicles	145	-
Annuity income	24,782	22,222
Interest on cash deposits	38	134
	24,965	22,356

Annuity income includes the following amounts, shown in notes 24 and 25, that reflect the difference between payments received from Aviva and Just in respect of pensioner payroll and actual pensioner payroll since the respective inception dates of the buy-in policies:

	2025 £'000	2024 £'000
Aviva		
Bristol Water	(368)	469
Just		
Cambridge Water	(293)	(72)
Dee Valley Water	163	106
HomeServe	(84)	(23)
South Staffordshire Water	(183)	(103)
Sutton and East Surrey Water	(20)	4
	(417)	(88)
	(785)	381

11. Reconciliation of investments

Reconciliation of DB section investments held at the beginning and the end of the year:

DB section	Value at 31 March 2024 £'000	Purchases at cost £'000	Sales proceeds £'000	Change in market value £'000	Value at 31 March 2025 £'000
Pooled investment vehicles	33,222	145	(3,069)	1,670	31,968
Insurance policies	427,274	-	(2,559)	(60,581)	364,134
AVC investments	27	-	(12)	2	17
	460,523	145	(5,640)	(58,909)	396,119
Other investment balances	519				2,598
	461,042				398,717

Reconciliation of DC section investments held at the beginning and the end of the year:

DC section	Value at 31 March 2024 £'000	Purchases at cost £'000	Sales proceeds £'000	Change in market value £'000	Value at 31 March 2025 £'000
Pooled investment vehicles	1,797	-	(49)	111	1,859

12. Transaction costs

The Trustee is aware that indirect transaction costs will be incurred through the bid-offer spread on investment within the Scheme's pooled investment vehicle managed by CTI and charges made within that vehicle.

13. Allocation of DC investments

The DC section investments purchased by the Scheme are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. The investment manager holds the investment units on a pooled basis for the Trustee. The investment manager allocates investment units to members. The Trustee may hold investment units representing the value of employer contributions that have been retained by the Scheme that relate to members leaving the Scheme prior to vesting.

There are no unallocated DC investments as at 31 March 2025 (2024: £nil).

14. Investment management expenses

	2025 £'000	2024 £'000
Administration, management and custody	26	27

15. Taxation

The Scheme is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

16. Pooled investment vehicles

The Scheme's investments in pooled investment vehicles at the year end comprised:

DB section	2025 £'000	2024 £'000
Cash – Sterling liquidity	31,968	33,222

In addition to the pooled investment vehicle above, the Scheme held unitised pooled investments of £1,859,000 (2024: £1,797,000) with Prudential on behalf of members of the Bristol Water Section with DC benefits.

17. Insurance policies

The Scheme held insurance policies at the year end as follows:

DB section	2025 £'000	2024 £'000
Aviva	97,748	118,116
Just	266,386	309,158
	364,134	427,274

The valuations of the Aviva and Just policies were carried out by appropriately qualified individuals at LCP. The Aviva policy is an asset of the Bristol Water Section, and the Just policies are assets of the remaining 5 Sections. The policies provide regular payments to their respective Section that match the benefits payable to its members. No collateral is held in relation to these assets.

In order to calculate the Aviva and Just policies fair values at 31 March 2025, the Scheme Actuary estimated how much it would have cost to insure the benefits at 31 March 2025 on equivalent terms to those secured with Aviva and Just at outset. To implement this approach, Aviva's valuation of the insured liabilities for the Bristol Water Section at the inception date of 7 June 2018 (£196,658,000), and Just's valuation of the total insured liabilities across the remaining 5 Sections at the crystallisation date of 31 March 2023 (£335,754,000), have been adjusted allowing for:

- changes in the financial assumptions, due to changes in market conditions, between 7 June 2018 and 31 March 2025 for Aviva, and between 31 March 2023 and 31 March 2025 for Just;
- interest on the liabilities between 7 June 2018 and 31 March 2025 for Aviva, and between 31 March 2023 and 31 March 2025 for Just;
- benefits paid out between 7 June 2018 and 31 March 2025 for Aviva, and between 31 March 2023 and 31 March 2025 for Just; and
- actual increases to pensions in payment and revaluation of deferred benefits over the period.

The assumptions that were used are set out below:

Assumptions as at 31 March 2025	Bristol Water	Cambridge Water	Dee Valley Water	HomeServe	South Staffordshire Water	Sutton and East Surrey Water
Discount rate	5.45% pa	5.44% pa	5.45% pa	5.41% pa	5.45% pa	5.44% pa
Rate of RPI inflation	3.29% pa	3.29% pa	3.29% pa	3.25% pa	3.29% pa	3.29% pa
Rate of CPI inflation		RPI minus 0.8% pa up to 2030, and RPI minus 0.1% pa thereafter				
Pension increases	-	2.93% pa	2.94% pa	2.94% pa	2.93% pa	2.93% pa
	At a rate reflecting the provisions of the Rules, the assumption for CPI in that year and the volatility of CPI as appropriate using a model calibrated to market observed swap pricing.					

18. AVC investments - DB

The Trustee holds assets invested separately from the main fund securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement made up to the year end confirming the amounts held in their account and the movements in the year. AVCs are invested in With Profits investments through Prudential. The AVC investments are shown in note 11.

19. Other investment balances

DB section	2025 £'000	2024 £'000
Investment income receivable	39	19
Funds in transit (debtor)	-	500
Outstanding sale	2,559	-
	2,598	519

The outstanding sale is a provision for the true up premium refund from Aviva received by the Scheme in May 2025.

20. Concentration of investments

The following investments represent more than 5% of the net assets of the Scheme:

	2025 £'000	%	2024 £'000	%
Just - Insurance Policy	266,386	66	309,158	67
Aviva - Insurance Policy	97,748	24	118,116	26
CTI Sterling Liquidity Fund	31,968	8	32,222	7

21. Fair value hierarchy

The fair value of financial instruments has been estimated using the following fair value hierarchy:

- Level 1: The unadjusted quoted price in an active market for identical assets which the entity can access at the assessment date.
- Level 2: Inputs other than the quoted prices included within Level 1 which are observable (i.e. developed for the asset either directly or indirectly).
- Level 3: Inputs which are unobservable (i.e. for which market data is unavailable) for the asset.

The Scheme's investment assets have been fair valued using the above hierarchy categories as follows:

DB section 31 March 2025	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Pooled investment vehicles	-	31,968	-	31,968
Insurance policies	-	-	364,134	364,134
AVC investments	-	-	17	17
Other investment balances	2,598	-	-	2,598
	2,598	31,968	364,151	398,717

DC section 31 March 2025	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
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Pooled investment vehicles	-	-	1,859	1,859
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DB section 31 March 2024	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Pooled investment vehicles	-	33,222	-	33,222
Insurance policies	-	-	427,274	427,274
AVC investments	-	-	27	27
Other investment balances	519	-	-	519
	519	33,222	427,301	461,042

DC section 31 March 2024	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Pooled investment vehicles	-	-	1,797	1,797

22. Unitisation of Sections

The value of the Section of each designated employer has been determined on an agreed unitised basis from 1 August 1990. At that date, each Section was allocated units, with an initial value of £1, according to the value of each Section at 31 July 1990. Since then units have been purchased or sold on a monthly basis on behalf of each Section according to the net non-investment income attributable to each Section for the month. The value of units will fluctuate according to the investment return relating to the assets which they represent. The system incorporates other adjustments to reflect transaction costs and the timing of non-investment income.

Monthly statements are produced summarising the transactions made on behalf of the Sections and the resulting number and value of units attributable to each Section. These are provided to the relevant Sponsoring Employers on request.

The statements on the next page indicate the total value of units held by each Section at 31 March 2025 and 31 March 2024, together with the net current assets or liabilities attributable to each Section, at those dates, which are excluded from the unitisation system.

31 March 2025	Included in Unitisation			Not Included in Unitisation			
	CTI Liquidity Fund £'000	HSBC Cash £'000	Total Unitisation £'000	Insurance policies £'000	Prudential (DC & AVC) £'000	Net Assets (Liabilities) £'000	Total Net Assets £'000
Bristol Water	12,166	535	12,701	97,748	1,859	2,543	114,851
Cambridge Water	7	(167)	(160)	29,058	-	304	29,202
Dee Valley Water	5,299	120	5,419	33,834	-	(299)	38,954
HomeServe	6,694	75	6,769	21,852	-	(19)	28,602
South Staffordshire Water	9	(78)	(69)	119,518	-	(443)	119,006
Sutton & East Surrey Water	7,793	199	7,992	62,124	17	(111)	70,022
GMP Suspense	-	15	15	-	-	-	15
	31,968	699	32,667	364,134	1,876	1,975	400,652

31 March 2024	Included in Unitisation			Not Included in Unitisation			
	CTI Liquidity Fund £'000	HSBC Cash £'000	Total Unitisation £'000	Insurance policies £'000	Prudential (DC & AVC) £'000	Net Assets (Liabilities) £'000	Total Net Assets £'000
Bristol Water	13,213	680	13,893	118,116	1,797	(749)	133,057
Cambridge Water	6	(316)	(310)	33,555	-	(191)	33,054
Dee Valley Water	5,330	178	5,508	39,410	11	(236)	44,693
HomeServe	6,569	64	6,633	25,656	-	(75)	32,214
South Staffordshire Water	5	105	110	138,268	-	(266)	138,112
Sutton & East Surrey Water	8,099	392	8,491	72,269	16	(148)	80,628
GMP Suspense	-	15	15	-	-	-	15
	33,222	1,118	34,340	427,274	1,824	(1,665)	461,773

GMP Suspense is the balance of income received in May 2019 from HMRC in relation to their GMP reconciliation. Once the Scheme has completed its own GMP reconciliation calculations this amount will be apportioned accordingly between the Sections

23. Investment risk disclosures

FRS 102 requires the disclosure of information in relation to certain investment risks. When deciding how to invest the Scheme's assets, the Trustee considers a wide range of risks, including credit risk and market risk, as defined below by FRS 102:

- Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- Market risk: this comprises currency risk, interest rate and inflation rate risk and other price risk, defined as follows.
 1. Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
 2. Interest rate and inflation rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates or expected inflation rates.
 3. Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate and inflation rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determined the Scheme's investment strategy after obtaining written professional advice from its professional investment adviser. The Scheme has exposure to some of the aforementioned risks because of the investments held to implement the investment strategy, detailed below. The Trustee manages investment risks, including credit risk and market risk, considering the Scheme's investment objectives and strategy, and the advice of its investment advisers.

Within each investment portfolio, investment objectives and restrictions to manage risk are implemented through the legal agreements in place with the Scheme's investment managers. The Trustee monitors the performance of the strategy and associated risks, and each investment manager against its objectives and restrictions, on a regular basis.

Further information on these risks and the Trustee's approach to risk management is set out below. This does not include the DC or AVC investments, as these are not considered significant in relation to the overall investments of the Scheme.

Investment strategy

The broad investment objectives are agreed by the Trustee, having consulted with the Sponsoring Employers. Within the context of these risk and return objectives, the Trustee, taking advice from the Scheme's investment adviser, decides on the overall allocation of assets between the various asset classes, and selects the appropriate managers within each asset class.

The primary objective is to meet benefit payments. To achieve this, the Trustee has entered into bulk annuity contracts with Aviva and Just. The Scheme's bulk annuity policies are designed to match the pensions payable to the Scheme's members.

Throughout the year, the Scheme's residual invested assets (assets excluding the buy-in contracts, AVC's and DC investments) were invested in a money market fund with CTI. The Trustee monitors this asset allocation from time to time and considers, with the help of its advisers, whether the allocation remains appropriate.

Credit risk

The Scheme is subject to credit risk through its investments in a pooled investment vehicle. It is directly exposed to credit risk in relation to the solvency of the custodian of the fund. It is directly exposed to the credit risk of the insurance company for any pooled vehicle structured as a life policy.

There is also direct credit risk associated with the Scheme's insured bulk annuities with Just and Aviva, which the Trustee considered before the policies were taken out. This risk is mitigated by the regulatory environment in which the insurer operates and the diversification of the policy's underlying assets. Therefore, this risk is minimal.

The Scheme is indirectly exposed to credit risk arising from the underlying investment held by the pooled fund. CTI manages credit risk by having a diversified exposure to issuers and conducting thorough research on the probability of default of those issuers.

As at 31 March 2025, 0% (2024: 0%) of the Scheme's assets were invested in funds or securities that are significantly exposed to indirect credit risk.

Direct credit risk arising from the pooled investment vehicle is mitigated by: the underlying assets of the pooled arrangement being ring-fenced from the investment manager; the regulatory environments in which the pooled fund manager operates; and diversification of the Scheme's investments. Therefore, this risk is minimal.

The Trustee carries out due diligence checks on investments into new pooled funds and on an ongoing basis monitors any changes to the operating environment of those pooled funds. The Trustee also carries out due diligence checks on new appointments of investment managers and custodians for sole investor arrangements and on an ongoing basis monitors any changes to the operating environment of these entities.

The role of a custodian is to ensure the safe-keeping of the assets and facilitate all transactions entered into by the appointed investment managers. The Trustee is not responsible for the appointment of the custodian of the assets contained within the various pooled fund investments. The pooled investment vehicle's governing body is responsible for appointing its own custodian for the safe-keeping, monitoring and reconciliation of documentation relating to these securities.

A summary of pooled investment vehicles by type of arrangement is as follows:

DB section	2025 £'000	2024 £'000
Luxembourg fonds Commun de Placement ("FCP")	31,968	33,222

Currency risk

As the Scheme's liabilities are denominated in Sterling, any non-Sterling currency exposure within the assets presents additional currency risk.

As at 31 March 2025, 0% (2024: 0%) of the Scheme's assets were invested in funds or securities that are significantly exposed to currency risk

The Scheme's pooled fund is accessed via a Sterling share class. Therefore, the Scheme is not subject to direct currency risk. As the Scheme's assets are only invested in Sterling investments, Sterling hedged overseas investment or mandates with minimal exposure to overseas investments, the Scheme has negligible exposure to indirect currency risk.

Interest rate risk

The Scheme does not invest in assets with material exposure to changes in interest rates and inflation. However, the bulk annuity policies are exposed to interest rates.

As at 31 March 2025, 0% (2024: 0%) of the Scheme's assets (excluding the buy-in contracts) were invested in funds or securities that are significantly exposed to interest rate and/or inflation risk.

Other price risk

Over the year, the Scheme only invested in a money market fund (excluding buy-in contracts). Therefore, other price risks were marginal.

As at 31 March 2025, 0% (2024: 0%) of the Scheme's assets (excluding buy-in contracts) were invested in funds or securities that are significantly exposed to other price risk.

Credit and market risks

The table below summaries the allocations that have significant exposure to these indirect risks:

DB section	Credit risk	Currency risk	Interest rate risk	Other price risk	2025 £'000	2024 £'000
Aviva - insurance policy	○	○	●	●	97,748	118,116
Just - insurance policy	○	○	●	●	266,386	309,158
CTI Sterling Liquidity Fund	○	○	○	○	31,968	33,222

Key: The risk noted affects the fund significantly (●) or hardly / not at all (○).

24. Current assets

	2025 £'000	2024 £'000
Contributions due in respect of:		
Employers	235	2
Cash balances	699	1,118
Debtors	948	198
	1,882	1,318

All contributions due to the Scheme at 31 March 2025 and 31 March 2024 relate to March 2025 and March 2024 respectively and were paid in full to the Scheme in accordance with, and within the timescales of, the Schedules of Contributions in force for that year, and therefore do not constitute employer-related investments.

Debtors relates to the balances described in note 10.

25. Current liabilities

	2025 £'000	2024 £'000
Unpaid benefits	1,004	1,024
Tax due to HM Revenue & Customs – PAYE	29	25
Accrued expenses	551	699
Creditors	222	636
	1,806	2,384

Creditors includes £163,000 relating to the balances described in note 10 (2024: £579,000).

26. Employer-related investments

As at 31 March 2025 there were no employer-related investments in the Scheme, within the meaning of Section 40(2) of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 (2024: None).

During the year, the Q2 2024 deficit contributions of £85,000 and £150,000, due in respect of the Cambridge Water and South Staffordshire Water Sections were paid 19 days late on 7 August 2024. During that period these constituted an employer-related investment.

27. Related-party transactions

Certain Directors of the Trustee Company are members of the Scheme and paid contributions and receive benefits in accordance with the rules of the Scheme. The Sponsoring Employers incur costs in respect of providing additional administrative services to the Scheme, which are not recharged, including the running of the pensioner payroll for each of the Sections with the exception of Dee Valley Water. In addition to the expenses disclosed in note 8, some of the costs of the Scheme, including PPF levies and fees to the Trustee Company in respect of administration and accounting, are paid for directly by the Employers, however following the buy-in, these are now met by the Scheme. The audit fees are paid for by the Water Companies (Pension Fund) Trustee Company. At the year end, £nil was due to the Trustee Company (2024: £nil) in relation to professional fees payable.

28. Guaranteed Minimum Pension Equalisation

On 26 October 2018 the High Court ruled in the Lloyds Banking Group case that inequalities in scheme benefits arising from GMP should be removed. Subsequently, on 20 November 2020 the High Court ruled that historical individual transfers from the scheme would also be due a top-up payment where the original transfer payment fell short of what it would have been had the inequalities in scheme benefits from GMP been removed. Effective from 1 March 2021, the Trustee removed the inequalities in GMP accrued from 17 May 1990 in the Bristol Water Section via a GMP conversion exercise. This followed a period of consultation with members.

In respect of the other Sections, the Trustee has now finalised the adjustments to benefits as required. The Trustee decided to equalise benefits adopting "method B" under the Lloyds judgement for all Sections, to which each sponsoring employer agreed. Arrears payments to members were made in the Scheme year ended 31 March 2025. The impact on the Scheme of any backdated benefits and related interest that was payable and due before the effective date of the accounts was not material. The Trustee removed the inequalities in GMP accrued from 17 May 1990 effective for members currently in the other Sections from the following dates:

- Cambridge Water - 1 June 2024
- Dee Valley Water - 1 October 2024
- HomeServe - 1 November 2024
- South Staffordshire Water - 1 July 2024
- Sutton & East Surrey Water - 1 August 2024.

Work has commenced on determining whether there are any top-up payments due to former members of these Sections

29. The Virgin Media Ltd v NTL Pension Trustee's II decision

The Virgin Media Ltd v NTL Pension Trustees II decision, handed down by the High Court on 16 June 2023 considered the implications of section 37 of the Pension Schemes Act 1993. Section 37 of the Pension Schemes Act 1993 only allowed the rules of contracted-out schemes in respect to benefits, to be altered where certain requirements were met.

The High Court decision was subject to an appeal and this judgment was published on 25 July 2024. Following industry lobbying efforts, the Government has confirmed it plans to introduce a legislative fix to give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historical benefit changes met the necessary standards.

On 5 June 2025, the Department for Work and Pensions (DWP) has announced it will introduce legislation to address the concerns arising from the Virgin Media case. The legislation will allow affected pension schemes to obtain retrospective actuarial confirmation validating past amendments.

As at the date of these accounts, the Trustee is not in a position to determine whether all of the Scheme amendments that were subject to section 37 of the Pensions Schemes Act 1993 had the necessary section 37 confirmation as this requires a review of historical records and engagement with former advisers. The Trustee has commenced investigations into the issue, but these are at an early stage and the Trustee is not currently in a position to form a view as to the impact on the Scheme (if any) of the Court decision.

30. Subsequent events

At 31 March 2025 the Bristol Water Section was fully insured and in the process of winding-up. Individual insurance policies were assigned to individuals after the year-end. It is currently expected that the Section will complete wind-up by 31 March 2026.

As disclosed in note 1, the Trustee has concluded that it is reasonable to produce financial statements for the entire Scheme on a going concern basis.

Independent Auditor's Statement about Contributions to the Trustee of the Water Companies Pension Scheme

We have examined the Summary of Contributions to the Water Companies Pension Scheme for the year ended 31 March 2025 to which this statement is attached.

Qualified Statement about Contributions payable under the Schedules of Contribution

In our opinion, except for the effects of the departure from the Schedules of Contributions, contributions for Scheme year ended 31 March 2025 as reported in the Summary of Contributions and payable under the Schedules of Contributions have, in all material respects, been paid at least in accordance with the Schedules of Contributions certified by the Scheme Actuary as listed on page 33.

Basis for Qualified Statement about Contributions

During the Scheme year the quarterly employer deficit funding contributions of £150,000 for the South Staffordshire Section and £85,000 for the Cambridge Water Section which were due by the 19 July 2024 per the Schedules of Contributions certified by the Scheme Actuary on 3 July 2024, were paid on the 7th of August 2024, 19 days later than required by the Schedules of Contributions.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the Summary of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedules of Contributions.

Respective responsibilities of the Trustee and the Auditor

As explained more fully in the statement of Trustee's responsibilities, the Scheme's Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, the Schedules of Contributions and for monitoring whether contributions are made to the Scheme by the Employers in accordance with the Schedules of Contributions.

It is our responsibility to provide a Statement about Contributions paid under the Schedules of Contributions and to report our opinion to you.

Use of our report

This statement is made solely to the Trustee, as a body, in accordance with Regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to them in an Auditor's Statement about Contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body for our work, for this statement, or for the opinion we have formed.

Deloitte LLP

Deloitte LLP
Statutory Auditor
Belfast, United Kingdom

Date: 14 October 2025

Summary of Contributions payable during the year ended 31 March 2025

During the year, the contributions payable to the Scheme were as follows:

	Total £'000
--	----------------

Required by the Schedules of Contributions

Employer contributions:

Deficit funding contributions	1,445
Total contributions as required by the Schedules of Contributions and as reported on by the Scheme Auditor	1,445
Total contributions as reported in the financial statements	1,445

Q2 2024 deficit contributions of £85,000 and £150,000, due in respect of the Cambridge Water and South Staffordshire Water Sections were paid 19 days late on 7 August 2024, as a result of the late contributions, the independent auditor's statement about contributions has been qualified.

Signed for and on behalf of the Trustee:

Trustee Director

14 October 2025
Date: _____

Trustee Director

14 October 2025
Date: _____

Relevant Schedules of Contributions

Section:

Bristol Water
Cambridge Water
Dee Valley Water
HomeServe
South Staffordshire Water
Sutton and East Surrey Water

Dates certified:

30 April 2018
27 May 2021 and 3 July 2024
16 March 2023 and 26 June 2024
29 April 2021 and 26 June 2024
27 May 2021 and 3 July 2024
24 May 2021 and 25 June 2024

Reports on actuarial liabilities (forming part of the Trustee's report)

As required by Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102), the financial statements do not include liabilities in respect of promised retirement benefits.

Under section 222 of the Pensions Act 2004 every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. This is assessed at least every 3 years using assumptions agreed between the Trustee and the Employer and set out in the Statement of funding principles.

An actuarial valuation is carried out in respect of each Section of the Scheme. The results and certificates of the most recent actuarial valuations as at 31 March 2023 are set out below and on the following pages.

Bristol Water Section

Following the Trustee's purchase of a bulk annuity contract with Aviva in June 2018, which fully matches the Section's benefits from 1 June 2018, the Section's funding position on an "ongoing" basis is no longer relevant and actuarial valuations of the Section as at 31 March 2020 and 31 March 2023 were not required. Had such valuations been carried out the technical provisions at 31 March 2020 and at 31 March 2023 would have been set equal to the "buy-out" estimate on those dates. As the Section's benefit liabilities are exactly matched by the Aviva policy, the Section's buy-out liabilities are equal to the policy value at a given date plus a reserve for GMP equalisation and the expenses of winding-up the Section. On this basis, and excluding DC assets and liabilities, we estimate the technical provisions of the Bristol Water Section at 31 March 2023 were approximately £133.4m, the Section's assets were £145.9m and the resulting surplus was around £12.5m. The Section was therefore broadly 109% funded as at 31 March 2023.

It is expected that no further employer contributions will be required and the winding-up of the Section was started in 2021.

Cambridge Water Section

An actuarial valuation of the Cambridge Water Section of the Scheme was carried out with an effective date of 31 March 2023.

The valuation adopted the "projected unit method", under which the technical provisions are calculated as the amount of assets required as at the valuation date to meet the projected benefit cashflows, based on benefits accrued to the valuation date and the various assumptions made.

Immediately before the valuation date on 29 March 2023, the Trustee purchased a buy-in policy with Just to fully insure the Section's accrued benefits. The insurance policy held with Just therefore essentially matches the Section's projected benefit cashflows at the valuation date.

After considering the strength of the Employer's covenant and the full buy-in policy taken out with Just, the Trustee set assumptions based on LCP's insurer pricing model. The LCP insurer pricing model is based on LCP's understanding of the principles used by insurance companies in setting their prices, having regard to actual quotations received for schemes. As at 31 March 2023 this was calibrated against the actual final transaction price from Just received by the Section.

As at the 31 March 2023 actuarial valuation, the calculated technical provisions of the Cambridge Water Section were £37.7m, the Section's assets were £36.9m and the resulting deficit was £0.8m. The Section was therefore 98% funded as at 31 March 2023.

The Sponsoring Employer and Trustee agreed a schedule of contributions; the certification of which is shown on page 40. The next actuarial valuation is due with an effective date of 31 March 2026.

The key financial assumptions used for calculating the technical provisions as at 31 March 2023 were:

Key financial assumptions	% pa
Price inflation	
RPI	3.6
CPI (based on a weighted average pre/post 2030 RPI – CPI gap)	3.3
Discount rate	4.0
Pension increases in payment	Over each future year at a rate reflecting the provision of the rules, the assumption for CPI inflation in that year and market implied volatility. Set consistently with market-based pricing for the relevant minimums and maximums
Revaluation of benefits in deferment	As per pension increases in payment

The above rates shown are illustrative single-equivalent rates at 31 March 2023 rounded to 1dp. In practice the full yield curves for gilts, swaps, inflation and pension increases have been used in the calculations.

Full details of all the assumptions are set out in the Section's Statement of funding principles dated 2 July 2024.

The 31 March 2023 actuarial valuation was completed in July 2024, after the 15 month statutory deadline of 30 June 2024.

Dee Valley Water Section

An actuarial valuation of the Dee Valley Water Section of the Scheme was carried out with an effective date of 31 March 2023.

The valuation adopted the "projected unit method", under which the technical provisions are calculated as the amount of assets required as at the valuation date to meet the projected benefit cashflows, based on benefits accrued to the valuation date and the various assumptions made.

Immediately before the valuation date on 29 March 2023, the Trustee purchased a buy-in policy with Just to fully insure the Section's accrued benefits, with the exception of its remaining active members at the time the buy-in policy was being negotiated. For these members the policy currently only covers deferred benefits based on service up to 5 April 2022. The small mismatch for the remaining active members aside, the insurance policy held with Just therefore essentially matches the Section's projected benefit cashflows at the valuation date.

After considering the strength of the Employer's covenant and the buy-in policy taken out with Just, the Trustee set assumptions based on LCP's insurer pricing model. The LCP insurer pricing model is based on LCP's understanding of the principles used by insurance companies in setting their prices, having regard to actual quotations received for schemes. As at 31 March 2023 this was calibrated against the actual final transaction price from Just received by the Section.

As at the 31 March 2023 actuarial valuation, the calculated technical provisions of the Dee Valley Water Section were £43.4m, the Section's assets were £48.7m and the resulting surplus was £5.3m. The Section was therefore 112% funded as at 31 March 2023.

The Sponsoring Employer and Trustee agreed a schedule of contributions; the certification of which is shown on page 41. The next actuarial valuation is due with an effective date of 31 March 2026.

The key financial assumptions used for calculating the technical provisions as at 31 March 2023 were:

Key financial assumptions	% pa
Price inflation	
RPI	3.6
CPI (based on a weighted average pre/post 2030 RPI – CPI gap)	3.3
Discount rate	4.0
Pension increases in payment	Over each future year at a rate reflecting the provision of the rules, the assumption for CPI inflation in that year and market implied volatility. Set consistently with market-based pricing for the relevant minimums and maximums
Revaluation of benefits in deferment	As per pension increases in payment

The above rates shown are illustrative single-equivalent rates at 31 March 2023 rounded to 1dp. In practice the full yield curves for gilts, swaps, inflation and pension increases have been used in the calculations.

Full details of all the assumptions are set out in the Section's Statement of funding principles dated 26 June 2024.

HomeServe Section

An actuarial valuation of the HomeServe Section of the Scheme was carried out with an effective date of 31 March 2023.

The valuation adopted the "projected unit method", under which the technical provisions are calculated as the amount of assets required as at the valuation date to meet the projected benefit cashflows, based on benefits accrued to the valuation date and the various assumptions made.

Immediately before the valuation date on 29 March 2023, the Trustee purchased a buy-in policy with Just to fully insure the Section's accrued benefits, with the exception of its remaining active members at the time the buy-in policy was being negotiated. For these members the policy currently only covers deferred benefits based on service up to 5 April 2022. The small mismatch for the remaining active members aside, the insurance policy held with Just therefore essentially matches the Section's projected benefit cashflows at the valuation date.

After considering the strength of the Employers' covenant and the full buy-in policy taken out with Just, the Trustee set assumptions based on LCP's insurer pricing model. The LCP insurer pricing model is based on LCP's understanding of the principles used by insurance companies in setting their prices, having regard to actual quotations received for schemes. As at 31 March 2023 this was calibrated against the actual final transaction price from Just received by the Section.

As at the 31 March 2023 actuarial valuation, the calculated technical provisions of the HomeServe Section were £28.83m, the Section's assets were £35.03m and the resulting surplus was £6.20m. The Section was therefore 122% funded as at 31 March 2023.

The Sponsoring Employers and Trustee agreed a schedule of contributions; the certification of which is shown on page 42. The next actuarial valuation is due with an effective date of 31 March 2026.

The key financial assumptions used for calculating the technical provisions as at 31 March 2023 were:

Key financial assumptions	% pa
Price inflation	
RPI	3.6
CPI (based on a weighted average pre/post 2030 RPI – CPI gap)	3.2
Discount rate	3.8
Pension increases in payment	Over each future year at a rate reflecting the provision of the rules, the assumption for CPI inflation in that year and market implied volatility. Set consistently with market-based pricing for the relevant minimums and maximums
Revaluation of benefits in deferment	As per pension increases in payment

The above rates shown are illustrative single-equivalent rates at 31 March 2023 rounded to 1dp. In practice the full yield curves for gilts, swaps, inflation and pension increases have been used in the calculations.

Full details of all the assumptions are set out in the Section's Statement of funding principles dated 26 June 2024.

South Staffordshire Section

An actuarial valuation of the South Staffordshire Section of the Scheme was carried out with an effective date of 31 March 2023.

The valuation adopted the “projected unit method”, under which the technical provisions are calculated as the amount of assets required as at the valuation date to meet the projected benefit cashflows, based on benefits accrued to the valuation date and the various assumptions made.

Immediately before the valuation date on 29 March 2023, the Trustee purchased a buy-in policy with Just to fully insure the Section's accrued benefits. The insurance policy held with Just therefore essentially matches the Section's projected benefit cashflows at the valuation date.

After considering the strength of the Employers' covenant and the full buy-in policy taken out with Just, the Trustee set assumptions based on LCP's insurer pricing model. The LCP insurer pricing model is based on LCP's understanding of the principles used by insurance companies in setting their prices, having regard to actual quotations received for schemes. As at 31 March 2023 this was calibrated against the actual final transaction price from Just received by the Section.

As at the 31 March 2023 actuarial valuation, the calculated technical provisions of the South Staffordshire Section were £152.8m, the Section's assets were £151.2m and the resulting deficit was £1.6m. The Section was therefore 99% funded as at 31 March 2023.

The Sponsoring Employers and Trustee agreed a schedule of contributions; the certification of which is shown on page 43. The next actuarial valuation is due with an effective date of 31 March 2026.

The key financial assumptions used for calculating the technical provisions as at 31 March 2023 were:

Key financial assumptions	% pa
Price inflation	
RPI	3.6
CPI (based on a weighted average pre/post 2030 RPI – CPI gap)	3.2
Discount rate	4.0
Pension increases in payment	Over each future year at a rate reflecting the provision of the rules, the assumption for CPI inflation in that year and market implied volatility. Set consistently with market-based pricing for the relevant minimums and maximums
Revaluation of benefits in deferment	As per pension increases in payment

The above rates shown are illustrative single-equivalent rates at 31 March 2023 rounded to 1dp. In practice the full yield curves for gilts, swaps, inflation and pension increases have been used in the calculations.

Full details of all the assumptions are set out in the Section's Statement of funding principles dated 2 July 2024.

The 31 March 2023 actuarial valuation was completed in July 2024, after the 15 month statutory deadline of 30 June 2024.

Sutton & East Surrey Water Section

An actuarial valuation of the Sutton & East Surrey Section of the Scheme was carried out with an effective date of 31 March 2023.

The valuation adopted the "projected unit method", under which the technical provisions are calculated as the amount of assets required as at the valuation date to meet the projected benefit cashflows, based on benefits accrued to the valuation date and the various assumptions made.

Immediately before the valuation date on 29 March 2023, the Trustee purchased a buy-in policy with Just to fully insure the Section's accrued benefits. The insurance policy held with Just therefore essentially matches the Section's projected benefit cashflows at the valuation date.

After considering the strength of the Employer's covenant and the full buy-in policy taken out with Just, the Trustee set assumptions based on LCP's insurer pricing model. The LCP insurer pricing model is based on LCP's understanding of the principles used by insurance companies in setting their prices, having regard to actual quotations received for schemes. As at 31 March 2023 this was calibrated against the actual final transaction price from Just received by the Section.

As at the 31 March 2023 actuarial valuation, the calculated technical provisions of the Sutton & East Surrey Section were £81.4m, the Section's assets were £88.2m and the resulting surplus was £6.8m. The Section was therefore 108% funded as at 31 March 2023.

The Sponsoring Employer and Trustee agreed a schedule of contributions; the certification of which is shown on page 44. The next actuarial valuation is due with an effective date of 31 March 2026.

The key financial assumptions used for calculating the technical provisions as at 31 March 2023 were:

Key financial assumptions	% pa
Price inflation	
RPI	3.6
CPI (based on a weighted average pre/post 2030 RPI – CPI gap)	3.3
Discount rate	4.0
Pension increases in payment	Over each future year at a rate reflecting the provision of the rules, the assumption for CPI inflation in that year and market implied volatility. Set consistently with market-based pricing for the relevant minimums and maximums
Revaluation of benefits in deferment	As per pension increases in payment

The above rates shown are illustrative single-equivalent rates at 31 March 2023 rounded to 1dp. In practice the full yield curves for gilts, swaps, inflation and pension increases have been used in the calculations.

Full details of all the assumptions are set out in the Section's Statement of funding principles dated 26 June 2024.

Appendix 1 – Certifications of the Schedules of Contributions

Bristol Water Section

Actuary's certification of schedule of contributions

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of scheme: Water Companies Pension Scheme
Bristol Water plc Section ("the Section")

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 March 2017 to continue to be met for the period for which this schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 30 April 2018.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Section's liabilities by the purchase of annuities, if the Section were to be wound up.

Signature: ..

Date: *30th April 2018.*

Name: Richard Murphy

Qualification:

FIA

Address: St Paul's House
St Paul's Hill
Winchester
Hampshire
SO22 5AB

Name of employer:
(if applicable)

Lane Clark & Peacock LLP

Cambridge Water Section



Actuary's certification of schedule of contributions

Water Companies Pension Scheme ("the Scheme") Cambridge Water Section ("the Section")

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to be met by the end of the period specified in the recovery plan dated 2 July 2024.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 2 July 2024.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Section's liabilities by the purchase of annuities, if the Section were to be wound up.

Signature:

Date: 3 July 2024

Name: *Susan Brierley, FIA
Appointed Scheme Actuary
Fellow of the Institute and Faculty of Actuaries*

Address: Lane Clark & Peacock LLP
95 Wigmore Street
London
W1U 1DQ

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Dee Valley Water Section



Actuary's certification of schedule of contributions

Water Companies Pension Scheme ("the Scheme") Dee Valley Water Section ("the Section")

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 26 June 2024.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Section's liabilities by the purchase of annuities, if the Section were to be wound up.

Signature:

Date: 26 June 2024

Name: *Susan Brierley, FIA
Appointed Scheme Actuary
Fellow of the Institute and Faculty of Actuaries*

Address: Lane Clark & Peacock LLP
95 Wigmore Street
London
W1U 1DQ

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HomeServe Section



Actuary's certification of schedule of contributions

Water Companies Pension Scheme HomeServe Section ("the Section")

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 26 June 2024.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Section's liabilities by the purchase of annuities, if the Section were to be wound up.

Signature:

Date: 26 June 2024

Name: *Susan Brierley, FIA
Appointed Scheme Actuary
Fellow of the Institute and Faculty of Actuaries*

Address: Lane Clark & Peacock LLP
95 Wigmore Street
London
W1U 1DQ

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South Staffordshire Section



Actuary's certification of schedule of contributions

Water Companies Pension Scheme ("the Scheme") South Staffordshire Section ("the Section")

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to be met by the end of the period specified in the recovery plan dated 2 July 2024.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 2 July 2024.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Section's liabilities by the purchase of annuities, if the Section were to be wound up.

Signature:

Date: 3 July 2024

Name: *Susan Brierley, FIA
Appointed Scheme Actuary
Fellow of the Institute and Faculty of Actuaries*

Address: Lane Clark & Peacock LLP
95 Wigmore Street
London
W1U 1DQ

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Sutton & East Surrey Water Section



Actuary's certification of schedule of contributions

Water Companies Pension Scheme ("the Scheme") Sutton & East Surrey Water Section ("the Section")

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Adequacy of rates of contributions

- I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

- I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 25 June 2024.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Section's liabilities by the purchase of annuities, if the Section were to be wound up.

Signature:

Date: 25 June 2024

Name: *Susan Brierley, FIA*
Appointed Scheme Actuary
Fellow of the Institute and Faculty of Actuaries

Address: Lane Clark & Peacock LLP
95 Wigmore Street
London
W1U 1DQ

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*Appendix 2 – Implementation statement
(forming part of the Trustee's report)*

Implementation Statement, covering the Scheme Year from 1 April 2024 to 31 March 2025

The Trustee of the Water Companies Pension Scheme (the “Scheme”) is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed its Statement of Investment Principles (“SIPs”) for each Section during the Scheme Year, as well as details of any review of the SIPs during the Scheme Year, subsequent changes made with the reasons for the changes, and the date of the last SIP reviews. Information is provided on the last review of the SIPs in section 1 and on the implementation of the SIPs in sections 2-9 below.

The Statement is also required to include a description of the voting behaviour during the Scheme Year by, and on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) and state any use of the services of a proxy voter during that year. This is provided in section 9 below.

In preparing the Statement, the Trustee has had regard to the [guidance](#) on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions (“DWP’s guidance”) in June 2022.

As a sectionalised Scheme, there are six SIPs in place. Of these, five are in relation to the ongoing Sections of the Scheme and the sixth is in relation to the Bristol Water (“BW”) Section, which is in the process winding-up and moved to full buy-out shortly after Scheme Year end. This Statement is based on the SIPs dated June 2023 for all six Sections.

This Statement should be read in conjunction with each Section’s latest SIP (dated June 2023), which can be found online on the Member’s website at: <https://watercompanies.lcp.uk.com/>.

1. Introduction

No reviews of the SIPs were undertaken during the Scheme Year. The SIPs for all six Sections were last reviewed and updated in June 2023.

The Trustee has, in its opinion, followed all of the policies in each of the Sections’ SIPs during the Scheme Year. The following sections provide detail and commentary about how and the extent to which it has done so.

2. Investment objectives

In March 2023, the Scheme purchased five separate buy-in policies from Just to fully insure the accrued benefits of the five ongoing Sections, disinvesting from all of its invested assets with the exception of some residual assets held in the Columbia Threadneedle (“CTI”) Sterling Liquidity Fund. As a result of these buy-ins, the Trustee has effectively achieved its long-term objectives for these Sections with benefit payments for members no longer reliant on the investment performance of the Sections’ assets and continuing financial support of their Principal Employers.

The DB benefits in the BW Section of the Scheme are fully insured with Aviva plc (“Aviva”) and the Section moved to buy-out, ie assigned members’ individual policies in respect of their Scheme benefits, shortly after Scheme Year end.

As part of this process the Trustee completed a bulk transfer of the Section’s DC benefits to Aviva in parallel with the move to buy-out. So, importantly following this transfer, BW members can continue to use their DC and AVC funds as the primary source for their pension commencement lump sum (“PCLS”) entitlement. Whilst planning the move to buy-out, in February 2020, the Trustee undertook a detailed review of the BW Section’s DC funds, and those Aviva were expecting to make available to members after individual policies had been secured with Aviva. This review was updated in September 2024 to allow for changes to the Aviva platform and the funds it now offers members. These reviews took account of value for members, the appropriate risk and return profile for funds previously held in the default fund, the suitability of the investments for members, and the similarity of the proposed Aviva funds to those previously held in the Scheme. Following the September 2024 review, a new default fund with Aviva, with expected returns and risk levels consistent with the previous default, was selected. This is provided within a platform that is specifically designed to accommodate these funds in parallel with members’ DB entitlements.

3. Investment strategy

The Trustee did not review the Sections' investment strategies over the Scheme Year. The last time they were reviewed was in March 2023, when the Trustee, with the help of its advisers and in consultation with the sponsoring employers, purchased buy-in policies with Just for the five ongoing Sections and the SIPs were updated to reflect this. The purchase of insurance achieved the Trustee's aim of investing the assets of each Section prudently to ensure that the benefits promised to members are provided. Following the purchase of this insurance, the benefit payments for members of these Sections are no longer reliant on the investment performance of the Sections' assets and continuing financial support of their Principal Employers.

The BW Section's DB benefits are fully insured with Aviva and the Trustee transferred the Section's DC benefits across to Aviva shortly after Scheme Year end at the same time as transferring the members' DB entitlements to individual policies on buy-out.

During the Scheme Year, the majority of each Section's assets comprised a bulk annuity policy that fully insures the Section's accrued benefits, with all residual assets invested in the CTI Sterling Liquidity Fund.

4. Considerations in setting the investment arrangements

When the Trustee last reviewed the investment strategies and investment beliefs of the ongoing Sections in March 2023, it considered the investment risks set out in Appendix A of the SIPs, taking account of the Scheme's overall investment objectives for the DB Sections.

4.1 Policy towards risk

Risks are monitored on an ongoing basis with the help of the investment adviser. The Trustee maintains a risk register, and this is discussed at least annually.

The Trustee's policy for some risks, given their nature, is to understand them and to address them if it becomes necessary, based upon the advice of the Scheme's investment adviser or information provided to the Trustee by the Scheme's investment managers. Following the purchase of insurance for all Sections, these principally include liquidity risk, credit risk, and ESG (including climate) risks.

Together, the investment and non-investment risks set out in Appendix A of the SIPs give rise generally to funding risk. The Trustee has sought to mitigate these risks as far as possible by entering into full buy-in policies for the ongoing Sections with Just. Together with its existing insurance policy with Aviva in relation to the BW Section, this means that all Scheme members' DB benefits are now insured.

5. Implementation of the investment arrangements

The Trustee has not made any changes to its manager arrangements over the Scheme Year.

Throughout the year, all of the Scheme's assets (excluding buy-in policies) were held with CTI. The Trustee evaluates CTI's performance over both shorter and longer periods, encourages CTI to improve practices and considers alternative arrangements where CTI is not meeting performance objectives. Section 8 provides more detail on the activities carried out over the year.

As part of the buy-out and wind-up of the BW Section, in February 2020 the Trustee carried out a full review of the BW Section's DC arrangements and those Aviva were expecting to make available to members after individual policies were secured with them. This review was updated in September 2024 to allow for changes to the Aviva platform and the funds it now offers members. Following this review the Trustee selected a new default fund with Aviva with expected returns and risk levels consistent with the previous Scheme default and which is provided within a platform that is specifically designed to accommodate these funds in parallel with members' DB entitlements. The selected platform offers a range of different funds, which has meant BW members are able to self-select from the full range (so a significant increase in the investment options available to them).

Overall, the Trustee believes that members of the BW DC Section received reasonable value for money during the Scheme Year for the charges and cost that they incur, given the nature of the investments.

6. Realisation of investments

The Trustee reviews the Scheme's net current and future cashflow requirements on a regular basis. The Trustee's policy is to have access to sufficient liquid assets in order to meet any outflows noting that during the Scheme Year, the large majority of these outflows were met through payments received from the Just and Aviva buy-in policies. Other payments continue to be met from the Scheme's residual invested assets which are all held in liquid investments, namely the CTI Sterling liquidity fund and the Trustee bank account.

7. Financially material considerations, non-financial matters

As part of its advice on the selection and ongoing review of the investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approach to financially material considerations (including climate change and other environmental, social and governance ("ESG") considerations), voting and engagement.

In selecting and appointing Just, the Trustee reviewed LCP's responsible investment ("RI") and ESG assessments of the shortlisted providers as one of the metrics considered in the insurer selection process.

No specific actions have been taken in relation to the selection, retention, and realisation of managers as a result of member and beneficiary views.

8. Voting and engagement

The Trustee has delegated to its investment managers the exercise of rights attaching to investments, including voting rights, and engagement.

As part of its advice on the selection and ongoing review of investment managers, the Scheme's investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers' approaches to engagement. Throughout the Scheme Year, CTI was the Scheme's only investment manager for the Scheme's residual assets.

LCP's manager research process includes qualitative RI assessments as well as quantitative scoring of each fund. These scores take account of managers' approaches to ESG issues, voting and engagement.

Following the full buy-ins in March 2023 for the five ongoing Sections, the vast majority of the Scheme's assets are now held in insurance buy-in policies and so are subject to the insurers' own policies on ESG considerations, including climate change, capital structure and conflicts of interest. However, following the RI and ESG assessments of shortlisted insurers noted above, the Trustee is content that the Scheme's policies are held with insurers that act in line with its general expectations in these areas.

The Trustee received training at the March 2023 Trustee meeting following the introduction of the DWP's guidance on stewardship and the Trustee discussed whether to set stewardship priorities intended to focus engagement with their investment managers on specific ESG factors. The Trustee decided not to set stewardship priorities in view of the impending buy-ins.

The Trustee is conscious that RI, including engagement, is rapidly evolving and therefore expects its managers will have areas where it could improve. Therefore, the Trustee aims to have an ongoing dialogue with its managers to clarify expectations and encourage improvements.

9. Description of voting behaviour during the Scheme Year

Following the buy-in of the ongoing Sections in March 2023, the vast majority of the Scheme's assets are now held in insurance buy-in policies with all remaining invested assets held in a cash fund managed by CTI. Therefore, the Trustee did not have any holdings with listed equities or voting opportunities during the Scheme Year. The Trustee did not direct how any votes were exercised and the Trustee itself has not used proxy voting services over the Scheme Year.