

Appendix 13g: Financial resilience analysis

Contents

Objective	3
Method	3
Reverse stress testing	3
a. Method	3
b. Results	4
Forward stress testing	7
a. Method	7
b. Results	7
c. Summary	9
Scenarios prescribed by Ofwat	11
a. Method	11
b. Results	11
c. Summary	19
Financial resilience beyond AMP7	20
a. Method	20
b. Base results	20
c. Sensitivity analysis	20
d. Summary	25
Conclusion	26

Appendix 13g – Financial resilience analysis

Objective

To ensure that the Company is financially resilient throughout AMP7 and beyond.

Method

In order to ensure that the Company is financially resilient we have conducted the following sensitivity analysis:

- i) Reverse stress testing – assessing how much headroom is inherent in our target financial ratios
- ii) Forward stress testing – Scenarios conducted as part of our long-term viability analysis conducted for our 2018 annual report
- iii) Scenarios prescribed by Ofwat in their April 2018 consultation

The first two elements above are consistent with the analysis we undertook as part of our long term viability (“LTV”) assessment for our annual accounts.

Sensitivity analysis has been conducted on both a notional and actual balance sheet basis. The actual balance sheet basis testing provides more consistency with our LTV analysis as this is the basis for our LTV that is provided in the accounts.

Further detail on each of these elements of analysis is provided below.

Reverse stress testing

a. Method

Our reverse stress testing is focussed on, but not limited to, the following key ratios:

- Adjusted interest cover (on an Ofwat, Ratings Agency and YW covenanted basis)
- Funds from operations (“FFO”) to debt (on both an Ofwat and Ratings Agency basis)

We have focused on these two broad categories of ratios as these are the applicable ratios included within the covenants of our bonds and are also the ratios most commonly referenced by the Ratings Agencies. On this basis we believe they are the most relevant ratios when assessing our financial resilience.

We have tested the amount of headroom within the key financial ratios above to a number of different levels:

- Headroom to target levels. Reaching these levels in themselves does not lead to an impact on our credit rating, as the Ratings Agency’s also arrive at a

Appendix 13g – Financial resilience analysis

subjective view on other factors such as the stability and predictability of the regulatory environment, trends, cost and investment recovery and the level of revenue risk

- Default levels contained within our covenants. These levels are more absolute in terms of consequences, although they are at significantly lower levels than the target ratios.

Target levels

To determine the target levels on a notional basis, we have considered the targets required to achieve a rating between A and BBB grade, as these are the ratings used within the business plan methodology to determine the notional cost of debt.

Based on ratings guidance provided by Moody's and S&P, we have set a target for adjusted interest cover ratio of 1.50 times and FFO to debt of 9.0%.

When assessing on an actual basis, we have considered our financial ratios against the targets required to safely maintain our current rating.

For the principal adjusted interest cover ratio this equates to a target of 1.30 times and for FFO to debt this equates to a target of 6.0%.

Ratio calculation

Ratios have been calculated using our own financial model as follows:

Headroom calculation

We measure the amount of headroom by converting the excess over the target into an earnings before interest, tax, depreciation and amortisation (EBITDA), an interest impact and a debt impact, caused by the need to fund capex that the company can stand.

For example, if the interest coverage ratio (ICR) is 10bp higher than the target level, this 10bp of headroom equates to approximately a £20m impact on EBITDA or interest and additional debt (capex) of approximately £500m, that is £500m at an assumed interest rate of 4% = £20m.

The benefit of reverse stress testing is that it provides an excellent indication of the amount of resilience in the plan, irrespective of the risks identified. In other words, whether risks are identified through detailed bottom up analysis, historical precedent, or expert opinion and judgement, the envelope to cope with shocks is explicit and quantified.

b. Results

Appendix 13g – Financial resilience analysis

Capex headroom - Notional £m	Trigger	FY21	FY22	FY23	FY24	FY25	Average
Adjusted ICR (Ofwat basis)	1.50	2,274.7	2,071.4	2,177.6	2,105.5	2,264.9	2,178.8
FFO to debt (Ofwat basis)	9.0%	1,493.0	880.1	840.0	724.9	1,083.6	1,004.3
Adjusted ICR (Moody's methodology)	1.50	364.2	304.7	233.5	189.4	202.1	258.8
FFO to debt (S&P methodology)	9.0%	890.0	183.9	37.0	(161.5)	151.3	220.1
Adjusted ICR (YW senior covenanted)		n/a	n/a	n/a	n/a	n/a	n/a
Adjusted ICR (YW class A covenanted - default)		n/a	n/a	n/a	n/a	n/a	n/a

The analysis shows that:

- There is a considerable amount of headroom against Ofwat's key metrics

Whilst the analysis above shows that Ratings Agency ratios might fall below target in some years, this will not necessarily have an impact on credit ratings as the levels are trigger levels for further investigation and assessment; not default levels. Other factors would come into the assessment such as: trend, reason for cost shock; management response; mitigation put in place; exceptional nature of shock.

Actual results

The table below shows the output of testing against the actual balance sheet conducted within our financial model:

EBITDA headroom - Actual £m	Trigger	FY21	FY22	FY23	FY24	FY25	Average
Adjusted ICR (Ofwat basis)	1.30	165.7	112.9	101.6	100.6	108.5	117.8
FFO to debt (Ofwat basis)	6.0%	94.3	82.9	89.6	97.6	111.6	95.2
Adjusted ICR (Moody's methodology)	1.30	21.9	20.3	18.1	26.5	28.1	23.0
FFO to debt (S&P methodology)	6.0%	14.5	0.5	4.7	9.9	21.2	10.2
Adjusted ICR (YW senior covenanted)	1.20	84.6	40.7	21.8	22.5	23.4	38.6
Adjusted ICR (YW class A covenanted - default)	1.00	137.7	100.5	86.0	87.4	89.7	100.2

Interest headroom - Actual £m	Trigger	FY21	FY22	FY23	FY24	FY25	Average
Adjusted ICR (Ofwat basis)	1.30	131.9	89.9	80.9	80.1	86.4	93.8
FFO to debt (Ofwat basis)	6.0%	94.3	82.9	89.6	97.6	111.6	95.2
Adjusted ICR (Moody's methodology)	1.30	17.5	16.2	14.4	21.1	22.3	18.3
FFO to debt (S&P methodology)	6.0%	14.5	0.5	4.7	9.9	21.2	10.2
Adjusted ICR (YW senior covenanted)	1.20	73.0	35.1	18.8	19.4	20.2	33.3
Adjusted ICR (YW class A covenanted - default)	1.00	142.5	104.0	89.0	90.4	92.9	103.8

Appendix 13g – Financial resilience analysis

Capex headroom - Actual £m	Trigger	FY21	FY22	FY23	FY24	FY25	Average
Adjusted ICR (Ofwat basis)	1.30	3,768.6	2,568.2	2,311.4	2,287.7	2,467.4	2,680.7
FFO to debt (Ofwat basis)	6.0%	2,695.3	2,368.1	2,561.0	2,788.1	3,189.0	2,720.3
Adjusted ICR (Moody's methodology)	1.30	499.2	461.5	411.4	603.2	638.1	522.7
FFO to debt (S&P methodology)	6.0%	415.2	15.7	133.9	283.8	605.0	290.7
Adjusted ICR (YW senior covenanted)	1.20	2,085.8	1,002.4	537.9	554.1	575.9	951.2
Adjusted ICR (YW class A covenanted - default)	1.00	4,071.7	2,970.8	2,542.1	2,583.7	2,653.2	2,964.3

The analysis shows that:

- Headroom of £39m (£19m above our £20m targeted headroom) against covenanted ratios
- Headroom of £23m and £10m against key Ratings Agency metrics
- Over £100m of EBITDA headroom against the default level on our covenanted ratios
- Significant headroom of £118m and £95m against Ofwat's two key metrics
- Interest headroom levels are similar to EBITDA headroom levels
- Capex headroom levels are significantly higher than EBITDA headroom levels

Forward stress testing

a. Method

This is a more traditional method that identifies the underlying risks and then tests them against our base plan.

We have assessed the impact of the “severe but plausible” scenario included within our long-term viability (LTV) statement in our statutory accounts on our base plan to ensure consistency between our financial resilience assessment and the work undertaken when assessing our long term viability.

b. Results

The tables below summarise the results of the forward stress testing analysis undertaken.

Appendix 13g – Financial resilience analysis

LTV - Severe but plausible scenario Key ratio analysis	Notional target	Notional ratio	Actual target	Actual ratio
Gearing	n/a	65.3%	n/a	80.2%
Adjusted ICR (Ofwat basis)	1.50	2.13	1.30	1.92
FFO to debt (Ofwat basis)	9.0%	9.40%	6.0%	7.37%
Adjusted ICR (Moody's methodology)	1.50	1.44	1.30	1.30
FFO to debt (S&P methodology)	9.0%	8.48%	6.0%	5.69%
Adjusted ICR (YW senior covenanted)	-	n/a	1.20	1.30
Adjusted ICR (YW class A covenanted - default)	-	n/a	1.00	1.43

Further detail is provided below with results included for each of the five years of AMP7, together with the average across the AMP. In line with Ofwat's method of assessment the key figure used in our assessment is the average figure for each ratio.

Notional results

A summary of the impact of our LTV severe but plausible scenario on a notional basis against our base case is shown in the table below:

Key ratios Notional	Target	FY21	FY22	FY23	FY24	FY25	Average
Gearing		62.1%	64.4%	66.0%	66.8%	67.0%	65.3%
Adjusted ICR (Ofwat basis)	1.50	2.24	2.10	2.12	2.08	2.10	2.13
FFO to debt (Ofwat basis)	9.0%	9.92%	9.26%	9.29%	9.18%	9.36%	9.40%
Adjusted ICR (Moody's methodology)	1.50	1.44	1.42	1.45	1.45	1.45	1.44
FFO to debt (S&P methodology)	9.0%	9.03%	8.37%	8.37%	8.23%	8.39%	8.48%
Adjusted ICR (YW senior covenanted)		n/a	n/a	n/a	n/a	n/a	n/a
Adjusted ICR (YW class A covenanted - default)		n/a	n/a	n/a	n/a	n/a	n/a

Ofwat ratios are above target levels. Ratings Agency ratios are below target levels; however the results above are before remedial measures, such as withholding the payment of dividends. If we were to retain the dividends as per our proposed dividend policy the ratios would be improved as shown by the table below.

Key ratios Notional	Target	FY21	FY22	FY23	FY24	FY25	Average
Gearing		60.2%	60.7%	60.5%	59.6%	55.8%	59.4%
Adjusted ICR (Ofwat basis)	1.50	2.28	2.20	2.28	2.29	2.38	2.29
FFO to debt (Ofwat basis)	9.0%	10.29%	9.98%	10.37%	10.64%	11.71%	10.60%
Adjusted ICR (Moody's methodology)	1.50	1.46	1.49	1.56	1.60	1.65	1.55
FFO to debt (S&P methodology)	9.0%	9.38%	9.07%	9.43%	9.67%	10.66%	9.64%
Adjusted ICR (YW senior covenanted)		n/a	n/a	n/a	n/a	n/a	n/a
Adjusted ICR (YW class A covenanted - default)		n/a	n/a	n/a	n/a	n/a	n/a

Appendix 13g – Financial resilience analysis

The analysis above shows that if dividends were to be retained, all of the ratios would be above target levels.

Actual results

A summary of the impact of our LTV severe but plausible scenario on an actual balance sheet basis against our base case is shown in the table below:

Key ratios Actual	Target	FY21	FY22	FY23	FY24	FY25	Average
Gearing		78.3%	79.7%	80.7%	81.1%	81.1%	80.2%
Adjusted ICR (Ofwat basis)	1.30	1.98	1.86	1.89	1.92	1.95	1.92
FFO to debt (Ofwat basis)	6.0%	7.53%	7.15%	7.27%	7.35%	7.53%	7.37%
Adjusted ICR (Moody's methodology)	1.30	1.27	1.26	1.29	1.34	1.35	1.30
FFO to debt (S&P methodology)	6.0%	5.73%	5.46%	5.64%	5.73%	5.88%	5.69%
Adjusted ICR (YW senior covenanted)	1.20	1.56	1.28	1.21	1.23	1.23	1.30
Adjusted ICR (YW class A covenanted - default)	1.00	1.80	1.49	1.41	1.42	1.43	1.43

Most ratios are above target levels. The S&P FFO to debt is slightly below target; however the results above are before remedial measures, such as withholding the payment of dividends. If we were to retain the dividends as per our proposed dividend policy the ratios would be improved as shown by the table below:

Key ratios Actual	Target	FY21	FY22	FY23	FY24	FY25	Average
Gearing		77.7%	78.5%	78.9%	78.8%	78.2%	78.4%
Adjusted ICR (Ofwat basis)	1.30	1.99	1.89	1.93	1.98	2.03	1.96
FFO to debt (Ofwat basis)	6.0%	7.60%	7.30%	7.49%	7.65%	7.92%	7.60%
Adjusted ICR (Moody's methodology)	1.30	1.28	1.28	1.32	1.38	1.40	1.33
FFO to debt (S&P methodology)	6.0%	5.79%	5.58%	5.82%	5.99%	6.22%	5.88%
Adjusted ICR (YW senior covenanted)	1.20	1.57	1.30	1.24	1.26	1.28	1.33
Adjusted ICR (YW class A covenanted - default)	1.00	1.81	1.51	1.44	1.47	1.49	1.49

c. Summary

Ofwat's ratios are above target levels for both the notional and actual balance sheet.

Some Ratings Agency ratios are below target; however when mitigating actions are taken into account, particularly the withholding of dividends, ratios are improved, resulting in all ratios being above target, except for S&P's FFO to debt.

Our sensitivity analysis indicates that Ratings Agency ratios might fall below target for both the notional and actual balance sheet. If this scenario occurred it would be difficult to conclude with certainty what the impact would be on credit ratings as the levels are trigger levels and not default levels. Other factors would come into the assessment

Appendix 13g – Financial resilience analysis

such as: trend, reason for cost shock, management response, mitigation put in place, exceptional nature of shock.

Appendix 13g – Financial resilience analysis

Scenarios prescribed by Ofwat

a. Method

We have performed the sensitivities as required in Ofwat’s methodology, which are as follows:

- Totex underperformance of 10%
- ODI penalty of 3.0% of RORE in one year
- High inflation scenario of RPI 4%, CPIH 3%
- Low inflation scenario of RPI 2%, CPIH 1%
- Increase in the level of bad debt of 5% above current levels
- New debt and refinanced debt at an interest rate 2% above base projections
- Financial penalty equivalent to 3% of one year Appointee turnover
- Combined scenario;
 - 10% cost underperformance in each year
 - ODI penalty of 1.5% RORE in each year
 - Financial penalty equivalent to 1% turnover in one year

The sensitivities have been run through our own internal model to ensure consistency with our LTV analysis and forward stress testing analysis discussed above.

b. Results

The tables below summarise the results of the Ofwat sensitivity analysis undertaken.

Financial resilience analysis Actual gearing	10% Totex	3% ODI penalty	High inflation	Low inflation	Bad debt	Interest	Financial penalty	Combined
Gearing	✘	✔	✔	✔	✔	✔	✔	✘
Ofwat ratios above target	✔	✔	✔	✔	✔	✔	✔	✘
Covenanted ratios above default	✔	✘	✔	✔	✔	✔	✔	✘
Ratings Agency ratios above target	✘	✘	✘	✔	✘	✘	✘	✘

Financial resilience analysis Notional gearing	10% Totex	3% ODI penalty	High inflation	Low inflation	Bad debt	Interest	Financial penalty	Combined
Ofwat adjusted ICR above target	✔	✔	✔	✔	✔	✔	✔	✘
Ofwat FFO to debt above target	✘	✘	✔	✔	✔	✔	✔	✘
Ratings Agency ratios above target	✘	✘	✘	✘	✘	✘	✘	✘

- ✘ Ratio below target in one year, but average ratio above target
- ✘ Average ratio below target

Appendix 13g – Financial resilience analysis

Financial resilience analysis AMP7 Actual gearing	Target	10% Totex	3% ODI penalty	High inflation	Low inflation	Bad debt	Interest	Financial penalty	Combined
Gearing	85.0%	82.6%	79.5%	77.3%	78.8%	78.2%	78.5%	78.4%	83.6%
ICR (Ofwat basis) FFO:Debt (Ofwat basis)	1.30 6.00%	1.72 6.64%	1.75 6.89%	2.08 8.01%	2.05 7.81%	2.05 7.87%	1.92 7.64%	2.02 7.75%	1.53 6.03%
ICR (Moody's basis) FFO:Debt (S&P basis)	1.30 6.00%	1.06 5.00%	1.12 5.19%	1.44 5.71%	1.42 6.66%	1.42 6.15%	1.33 5.92%	1.39 6.04%	0.87 4.41%
ICR (Covenanted default)	1.00	1.29	1.30	1.67	1.64	1.65	1.63	1.61	1.08

Financial resilience analysis AMP7 Notional gearing	Target	10% Totex	3% ODI penalty	High inflation	Low inflation	Bad debt	Interest	Financial penalty	Combined
Gearing	60.0%	67.7%	64.6%	61.9%	64.5%	63.2%	63.9%	63.5%	68.7%
ICR (Ofwat basis) FFO:Debt (Ofwat basis)	1.50 9.00%	1.90 8.45%	1.94 8.85%	2.33 10.38%	2.24 9.86%	2.28 10.09%	2.01 9.55%	2.24 9.94%	1.69 7.70%
ICR (Moody's basis) FFO:Debt (S&P basis)	1.50 9.00%	1.23 7.54%	1.25 7.93%	1.61 9.14%	1.55 9.24%	1.58 9.16%	1.39 8.63%	1.54 9.01%	1.03 6.79%

The results above are before remedial measures, such as withholding the payment of dividends.

Further detail is provided below with results included for each of the five years of AMP7, together with the average across the AMP. In line with Ofwat's method of assessment the key figure used in our assessment is the average figure for each ratio.

10% Totex sensitivity

Key ratios Notional	Target	FY21	FY22	FY23	FY24	FY25	Average
Gearing		62.9%	66.0%	68.4%	70.1%	71.0%	67.7%
Adjusted ICR (Ofwat basis) FFO to debt (Ofwat basis)	1.50 9.0%	2.10 9.39%	1.93 8.57%	1.88 8.31%	1.80 7.99%	1.79 7.99%	1.90 8.45%
Adjusted ICR (Moody's methodology) FFO to debt (S&P methodology)	1.50 9.0%	1.30 8.51%	1.26 7.69%	1.23 7.40%	1.20 7.06%	1.17 7.02%	1.23 7.54%
Adjusted ICR (YW senior covenanted) Adjusted ICR (YW class A covenanted - default)		n/a n/a	n/a n/a	n/a n/a	n/a n/a	n/a n/a	n/a n/a

Key ratios Actual	Target	FY21	FY22	FY23	FY24	FY25	Average
Gearing		79.1%	81.3%	83.2%	84.4%	85.1%	82.6%
Adjusted ICR (Ofwat basis) FFO to debt (Ofwat basis)	1.30 6.0%	1.86 7.12%	1.71 6.63%	1.68 6.52%	1.67 6.44%	1.67 6.47%	1.72 6.64%
Adjusted ICR (Moody's methodology) FFO to debt (S&P methodology)	1.30 6.0%	1.07 5.34%	1.06 4.97%	1.05 4.93%	1.06 4.87%	1.05 4.89%	1.06 5.00%
Adjusted ICR (YW senior covenanted) Adjusted ICR (YW class A covenanted - default)	1.20 1.00	1.44 1.66	1.14 1.33	1.02 1.19	1.00 1.16	0.98 1.13	1.12 1.13

Appendix 13g – Financial resilience analysis

3% ODI penalty sensitivity

Key ratios Notional	Target	FY21	FY22	FY23	FY24	FY25	Average
Gearing		61.2%	62.8%	64.9%	66.5%	67.4%	64.6%
Adjusted ICR (Ofwat basis)	1.50	2.44	2.29	1.73	1.63	1.61	1.94
FFO to debt (Ofwat basis)	9.0%	10.67%	10.04%	8.10%	7.75%	7.69%	8.85%
Adjusted ICR (Moody's methodology)	1.50	1.63	1.60	1.04	1.00	0.96	1.25
FFO to debt (S&P methodology)	9.0%	9.77%	9.14%	7.20%	6.81%	6.73%	7.93%
Adjusted ICR (YW senior covenanted)		n/a	n/a	n/a	n/a	n/a	n/a
Adjusted ICR (YW class A covenanted - default)		n/a	n/a	n/a	n/a	n/a	n/a

Key ratios Actual	Target	FY21	FY22	FY23	FY24	FY25	Average
Gearing		77.4%	78.1%	79.7%	80.8%	81.6%	79.5%
Adjusted ICR (Ofwat basis)	1.30	2.15	2.03	1.54	1.51	1.50	1.75
FFO to debt (Ofwat basis)	6.0%	8.10%	7.74%	6.28%	6.16%	6.15%	6.89%
Adjusted ICR (Moody's methodology)	1.30	1.44	1.42	0.93	0.93	0.90	1.12
FFO to debt (S&P methodology)	6.0%	6.28%	6.01%	4.63%	4.54%	4.52%	5.19%
Adjusted ICR (YW senior covenanted)	1.20	1.73	1.43	0.85	0.81	0.78	1.12
Adjusted ICR (YW class A covenanted - default)	1.00	2.00	1.67	0.98	0.93	0.90	0.90

High inflation sensitivity

Key ratios Notional	Target	FY21	FY22	FY23	FY24	FY25	Average
Gearing		60.8%	62.0%	62.6%	62.5%	61.7%	61.9%
Adjusted ICR (Ofwat basis)	1.50	2.46	2.32	2.31	2.26	2.31	2.33
FFO to debt (Ofwat basis)	9.0%	10.76%	10.20%	10.20%	10.19%	10.57%	10.38%
Adjusted ICR (Moody's methodology)	1.50	1.64	1.62	1.60	1.59	1.61	1.61
FFO to debt (S&P methodology)	9.0%	9.56%	9.01%	8.97%	8.92%	9.26%	9.14%
Adjusted ICR (YW senior covenanted)		n/a	n/a	n/a	n/a	n/a	n/a
Adjusted ICR (YW class A covenanted - default)		n/a	n/a	n/a	n/a	n/a	n/a

Key ratios Actual	Target	FY21	FY22	FY23	FY24	FY25	Average
Gearing		77.2%	77.6%	77.7%	77.4%	76.5%	77.3%
Adjusted ICR (Ofwat basis)	1.30	2.16	2.04	2.03	2.07	2.11	2.08
FFO to debt (Ofwat basis)	6.0%	8.13%	7.81%	7.86%	7.99%	8.26%	8.01%
Adjusted ICR (Moody's methodology)	1.30	1.44	1.42	1.41	1.46	1.47	1.44
FFO to debt (S&P methodology)	6.0%	5.72%	5.50%	5.62%	5.75%	5.96%	5.71%
Adjusted ICR (YW senior covenanted)	1.20	1.74	1.44	1.33	1.34	1.35	1.44
Adjusted ICR (YW class A covenanted - default)	1.00	2.00	1.68	1.55	1.56	1.57	1.57

Appendix 13g – Financial resilience analysis

Low inflation sensitivity

Key ratios Notional	Target	FY21	FY22	FY23	FY24	FY25	Average
Gearing		61.6%	63.6%	65.1%	66.0%	66.3%	64.5%
Adjusted ICR (Ofwat basis)	1.50	2.43	2.26	2.22	2.15	2.16	2.24
FFO to debt (Ofwat basis)	9.0%	10.59%	9.88%	9.70%	9.50%	9.62%	9.86%
Adjusted ICR (Moody's methodology)	1.50	1.62	1.58	1.54	1.52	1.51	1.55
FFO to debt (S&P methodology)	9.0%	9.99%	9.28%	9.09%	8.86%	8.97%	9.24%
Adjusted ICR (YW senior covenanted)		n/a	n/a	n/a	n/a	n/a	n/a
Adjusted ICR (YW class A covenanted - default)		n/a	n/a	n/a	n/a	n/a	n/a

Key ratios Actual	Target	FY21	FY22	FY23	FY24	FY25	Average
Gearing		77.5%	78.5%	79.2%	79.5%	79.4%	78.8%
Adjusted ICR (Ofwat basis)	1.30	2.15	2.02	2.00	2.02	2.04	2.05
FFO to debt (Ofwat basis)	6.0%	8.08%	7.70%	7.68%	7.71%	7.88%	7.81%
Adjusted ICR (Moody's methodology)	1.30	1.44	1.41	1.39	1.43	1.42	1.42
FFO to debt (S&P methodology)	6.0%	6.86%	6.54%	6.56%	6.60%	6.75%	6.66%
Adjusted ICR (YW senior covenanted)	1.20	1.73	1.43	1.31	1.30	1.30	1.41
Adjusted ICR (YW class A covenanted - default)	1.00	2.00	1.67	1.52	1.51	1.50	1.50

Bad debt sensitivity

Key ratios Notional	Target	FY21	FY22	FY23	FY24	FY25	Average
Gearing		61.2%	62.8%	63.9%	64.3%	64.0%	63.2%
Adjusted ICR (Ofwat basis)	1.50	2.44	2.28	2.26	2.20	2.22	2.28
FFO to debt (Ofwat basis)	9.0%	10.65%	10.02%	9.92%	9.80%	10.05%	10.09%
Adjusted ICR (Moody's methodology)	1.50	1.62	1.59	1.56	1.55	1.55	1.58
FFO to debt (S&P methodology)	9.0%	9.75%	9.12%	9.00%	8.85%	9.07%	9.16%
Adjusted ICR (YW senior covenanted)		n/a	n/a	n/a	n/a	n/a	n/a
Adjusted ICR (YW class A covenanted - default)		n/a	n/a	n/a	n/a	n/a	n/a

Key ratios Actual	Target	FY21	FY22	FY23	FY24	FY25	Average
Gearing		77.4%	78.1%	78.6%	78.6%	78.2%	78.2%
Adjusted ICR (Ofwat basis)	1.30	2.15	2.02	2.00	2.03	2.06	2.05
FFO to debt (Ofwat basis)	6.0%	8.08%	7.72%	7.73%	7.81%	8.02%	7.87%
Adjusted ICR (Moody's methodology)	1.30	1.43	1.41	1.39	1.43	1.44	1.42
FFO to debt (S&P methodology)	6.0%	6.26%	5.99%	6.06%	6.14%	6.31%	6.15%
Adjusted ICR (YW senior covenanted)	1.20	1.73	1.43	1.31	1.31	1.31	1.42
Adjusted ICR (YW class A covenanted - default)	1.00	1.99	1.67	1.52	1.52	1.53	1.53

Appendix 13g – Financial resilience analysis

Interest rate sensitivity

Key ratios Notional	Target	FY21	FY22	FY23	FY24	FY25	Average
Gearing		61.3%	63.1%	64.5%	65.3%	65.4%	63.9%
Adjusted ICR (Ofwat basis)	1.50	2.31	2.05	1.96	1.86	1.87	2.01
FFO to debt (Ofwat basis)	9.0%	10.47%	9.62%	9.35%	9.10%	9.24%	9.55%
Adjusted ICR (Moody's methodology)	1.50	1.54	1.43	1.36	1.31	1.30	1.39
FFO to debt (S&P methodology)	9.0%	9.57%	8.73%	8.43%	8.15%	8.26%	8.63%
Adjusted ICR (YW senior covenanted)		n/a	n/a	n/a	n/a	n/a	n/a
Adjusted ICR (YW class A covenanted - default)		n/a	n/a	n/a	n/a	n/a	n/a

Key ratios Actual	Target	FY21	FY22	FY23	FY24	FY25	Average
Gearing		77.4%	78.1%	78.8%	79.1%	79.0%	78.5%
Adjusted ICR (Ofwat basis)	1.30	2.20	1.96	1.86	1.78	1.80	1.92
FFO to debt (Ofwat basis)	6.0%	8.16%	7.63%	7.50%	7.36%	7.51%	7.64%
Adjusted ICR (Moody's methodology)	1.30	1.47	1.37	1.29	1.26	1.25	1.33
FFO to debt (S&P methodology)	6.0%	6.34%	5.90%	5.83%	5.70%	5.83%	5.92%
Adjusted ICR (YW senior covenanted)	1.20	1.77	1.38	1.22	1.15	1.15	1.33
Adjusted ICR (YW class A covenanted - default)	1.00	2.15	1.70	1.48	1.41	1.40	1.40

Financial penalty sensitivity

Key ratios Notional	Target	FY21	FY22	FY23	FY24	FY25	Average
Gearing		61.2%	62.8%	64.3%	64.7%	64.4%	63.5%
Adjusted ICR (Ofwat basis)	1.50	2.44	2.29	2.05	2.19	2.22	2.24
FFO to debt (Ofwat basis)	9.0%	10.67%	10.04%	9.22%	9.75%	9.99%	9.94%
Adjusted ICR (Moody's methodology)	1.50	1.63	1.60	1.36	1.54	1.55	1.54
FFO to debt (S&P methodology)	9.0%	9.77%	9.14%	8.30%	8.80%	9.01%	9.01%
Adjusted ICR (YW senior covenanted)		n/a	n/a	n/a	n/a	n/a	n/a
Adjusted ICR (YW class A covenanted - default)		n/a	n/a	n/a	n/a	n/a	n/a

Key ratios Actual	Target	FY21	FY22	FY23	FY24	FY25	Average
Gearing		77.4%	78.1%	79.0%	79.0%	78.5%	78.4%
Adjusted ICR (Ofwat basis)	1.30	2.15	2.03	1.82	2.03	2.06	2.02
FFO to debt (Ofwat basis)	6.0%	8.10%	7.74%	7.17%	7.77%	7.98%	7.75%
Adjusted ICR (Moody's methodology)	1.30	1.44	1.42	1.21	1.43	1.43	1.39
FFO to debt (S&P methodology)	6.0%	6.28%	6.01%	5.50%	6.11%	6.28%	6.04%
Adjusted ICR (YW senior covenanted)	1.20	1.73	1.43	1.13	1.31	1.31	1.38
Adjusted ICR (YW class A covenanted - default)	1.00	2.00	1.67	1.32	1.52	1.52	1.52

Appendix 13g – Financial resilience analysis

Combined sensitivity

Key ratios Notional	Target	FY21	FY22	FY23	FY24	FY25	Average
Gearing		62.9%	66.3%	69.3%	71.6%	73.2%	68.7%
Adjusted ICR (Ofwat basis)	1.50	2.07	1.82	1.60	1.50	1.48	1.69
FFO to debt (Ofwat basis)	9.0%	9.26%	8.21%	7.31%	6.91%	6.79%	7.70%
Adjusted ICR (Moody's methodology)	1.50	1.27	1.16	0.95	0.91	0.88	1.03
FFO to debt (S&P methodology)	9.0%	8.39%	7.33%	6.42%	5.99%	5.83%	6.79%
Adjusted ICR (YW senior covenanted)		n/a	n/a	n/a	n/a	n/a	n/a
Adjusted ICR (YW class A covenanted - default)		n/a	n/a	n/a	n/a	n/a	n/a

Key ratios Actual	Target	FY21	FY22	FY23	FY24	FY25	Average
Gearing		79.2%	81.6%	84.1%	85.9%	87.3%	83.6%
Adjusted ICR (Ofwat basis)	1.30	1.82	1.62	1.43	1.40	1.38	1.53
FFO to debt (Ofwat basis)	6.0%	7.03%	6.34%	5.72%	5.57%	5.50%	6.03%
Adjusted ICR (Moody's methodology)	1.30	1.03	0.97	0.80	0.80	0.77	0.87
FFO to debt (S&P methodology)	6.0%	5.25%	4.69%	4.15%	4.03%	3.96%	4.41%
Adjusted ICR (YW senior covenanted)	1.20	1.41	1.05	0.77	0.74	0.71	0.94
Adjusted ICR (YW class A covenanted - default)	1.00	1.63	1.22	0.90	0.85	0.81	0.81

The results above show that, before any mitigating actions are taken into account, on an average AMP basis:

- We have sufficient capacity within our gearing covenant to fund any of the sensitivities above.
- Ofwat's key ratios on an actual balance sheet basis remain above target against all of the sensitivities above.
- Our covenanted ratio remains above the default level against all the sensitivities above.

Our sensitivity analysis indicates that Ratings Agency ratios might fall below target for both the notional and actual balance sheet. If these sensitivities occurred it would be difficult to conclude with certainty what the impact would be on credit ratings as the levels are trigger levels and not default levels. Other factors would come into the assessment such as: trend, reason for cost shock, management response, mitigation put in place, exceptional nature of shock.

Mitigating factors

The results above are before any mitigating actions have been taken into account. If one of these sensitivities were to arise there are a number of mitigating actions, at a strategic level, that could be implemented that would reduce the financial impact of the event. Examples of mitigating actions that would be implemented include:

Appendix 13g – Financial resilience analysis

- Management action in line with our established approach to risk management and overall resilience (described elsewhere) – In the event of any of the sensitivities above occurring Management would immediately seek to reduce the impact through a number of different actions, such as the re-allocation of resources, or cost restructuring. The impact of these mitigating actions would be expected to significantly reduce the cost impact in subsequent years, reducing the total impact of the sensitivities above.
- Impact of insurance and hedging – We have insurance cover in place that will reimburse us in the event of additional costs arising as a result of specific incidents such as flooding. We also have hedging in place for significant costs, such as electricity. Applying the benefit of insurance claims and hedging would significantly reduce the impact of the sensitivities above
- Dividend retention – As we have demonstrated throughout the current period, we can retain dividends to strengthen our balance sheet and improve our financial resilience. The results above do not include any retention of dividends. If we were to retain dividends this would provide up to c£250m of additional cash headroom. Our revised dividend policy is explicit in stating that dividends will be paid only when the appropriate level of financial resilience testing has been undertaken.
- Equity injection – If all of the above mitigating actions had been exhausted we could obtain an equity injection from our investors to ensure our ongoing financial resilience.

The results above also don't take into account the benefits of any potential totex outperformance or ODI rewards within the base case. As a leading company we would reasonably expect our base plan to be enhanced by the rewards available for providing upper quartile service and for upper quartile efficiency.

Impact of group companies

The results above include the impact of the following group costs financed by YW:

- Head office costs paid through Kelda Group Ltd
- Third party interest costs paid through Kelda Finance Group

Both of the above costs have been financed through YW's base dividend, resulting in our proposed base dividend to external shareholders being lower than the notional base dividend. Further detail on our dividend is provided within the Financeability section of our Business Plan.

Appendix 13g – Financial resilience analysis

Likelihood of Ofwat’s sensitivities arising

We consider that some of the sensitivities analysed above, in particular the 10% totex, ODI penalty and combined sensitivities, are very unlikely to arise.

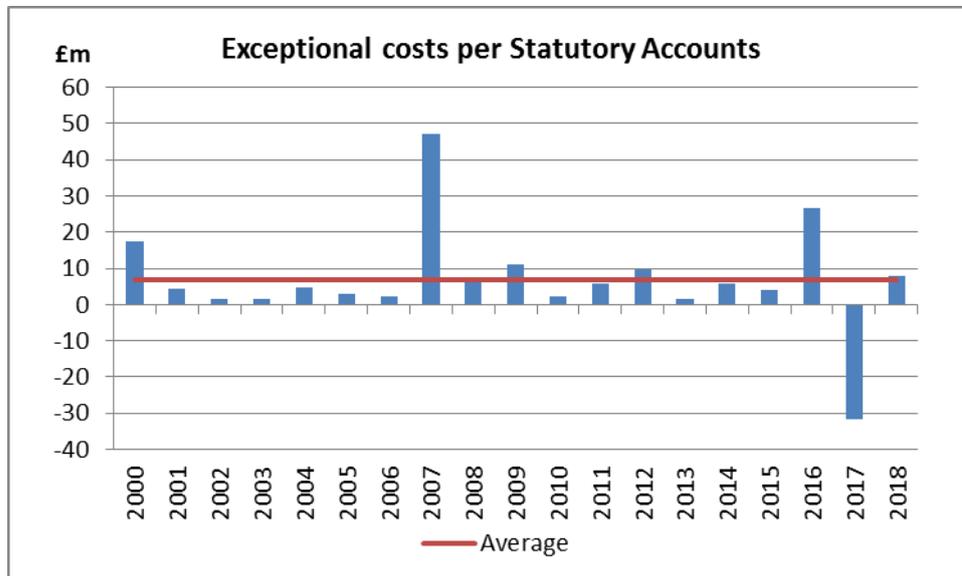
The EBITDA and total cost impact of these three sensitivities can be summarised as follows:

Sensitivity cost impact £m (17/18 prices)	10% Totex		3% RORE ODI penalty		Combined	
	EBITDA	Cost	EBITDA	Cost	EBITDA	Cost
Total AMP cost impact	209	503	256	256	371	665
Annual cost impact	42	101	85	85	89	148

The table above only includes three years of ODI figures for the ODI and combined sensitivities, due to the two year deferral meaning a proportion would apply in AMP8. If the additional two years were included this would result in a higher total cost.

Maintaining sufficient headroom to cover the above costs would not enable us to operate as efficiently as we currently do, which would not be to the long term benefit of our customers.

The costs above are considerably higher than any exceptional costs we have incurred historically as shown by the graph below.



The graph above shows that exceptional costs have average £7m across the last 19 years, with a maximum one-off cost of £47m. The average cost above of £7m is considerably lower than the annual costs included within the sensitivity analysis above.

Appendix 13g – Financial resilience analysis

As part of our RORE analysis we also asked Economic Insight to look at the actual cost performance of the Industry against totex allowances for the first two years of this AMP. The results are as follows:

Industry analysis 2015/16 and 2016/17	Industry average	YW
Totex under / (out) performance		
Wholesale water totex	2.7%	(1.3%)
Wholesale wastewater totex	(4.4%)	(6.4%)
Totex	(0.1%)	(4.2%)

The analysis above shows that across the first two years of this AMP the industry has on average incurred costs comparable with the allowance provided by Ofwat.

We have outperformed our allowance, which as mentioned above would improve our base case, reducing the impact of the sensitivities shown above.

c. Summary

In summary:

- The results of sensitivity analysis, before any mitigating actions are taken into account, show that on an average AMP basis:
 - We have sufficient capacity within our gearing covenant to fund all of the sensitivities.
 - Our covenanted ratio remains above the default level against all the sensitivities.
- There are a number of mitigating actions that would be implemented to significantly reduce the impact of the sensitivities on the financial robustness of the company
- A number of the sensitivities requested by Ofwat are considered unlikely to occur

In light of the above we can conclude that the Company is financially resilient throughout AMP7.

Appendix 13g – Financial resilience analysis

Financial resilience beyond AMP7

a. Method

In order to determine whether we are financially resilient beyond AMP7, we have made a preliminary assessment of our possible base performance in AMP8, assuming there are no significant deviations from AMP7.

Our core assumptions for AMP8 are as follows:

- Totex: Consistent with AMP7 (on a pre RPE basis)
- WACC: Consistent with AMP7
- Cost recovery rates: Natural, as per AMP7
- Legacy: No legacy revenue adjustment / RCV log down
- Inflation: Consistent with AMP7
- Interest rates: Consistent with AMP7
- CPIH transition: 70%, versus 50% in AMP7

The above assumptions result in a forecast bill change in AMP8 of £7

b. Base results

The table below summarises forecast performance in AMP8 to that in AMP7.

Key ratio analysis AMP7 & AMP8	Notional target	Notional ratio AMP7	Notional ratio AMP8	Actual target	Actual ratio AMP7	Actual ratio AMP8
Gearing	n/a	63.2%	62.6%	n/a	78.1%	80.6%
Adjusted ICR (Ofwat basis)	1.50	2.29	2.25	1.30	2.06	2.10
FFO to debt (Ofwat basis)	9.0%	10.12%	10.08%	6.0%	7.89%	7.85%
Adjusted ICR (Moody's methodology)	1.50	1.58	1.57	1.30	1.43	1.47
FFO to debt (S&P methodology)	9.0%	9.19%	9.15%	6.0%	6.17%	6.16%
Adjusted ICR (YW senior covenanted)	-	n/a	n/a	1.20	1.42	1.47
Adjusted ICR (YW class A covenanted - default)	n/a	n/a	n/a	1.00	1.53	1.74

Based on the assumptions above, the key ratios are expected to improve slightly from AMP7 to AMP8.

c. Sensitivity analysis

LTV “Severe but plausible” sensitivity

Appendix 13g – Financial resilience analysis

Sensitivity analysis 2025 to 2030	Notional target	Notional base	Notional sensitivity	Actual target	Actual base	Actual sensitivity
Gearing	n/a	62.6%	64.6%	n/a	80.6%	81.8%
Adjusted ICR (Ofwat basis)	1.50	2.25	2.10	1.30	2.10	1.96
FFO to debt (Ofwat basis)	9.0%	10.08%	9.40%	6.0%	7.85%	7.36%
Adjusted ICR (Moody's methodology)	1.50	1.57	1.44	1.30	1.47	1.35
FFO to debt (S&P methodology)	9.0%	9.15%	8.47%	6.0%	6.16%	5.71%
Adjusted ICR (YW senior covenanted)	n/a	n/a	n/a	1.20	1.47	1.35
Adjusted ICR (YW class A covenanted - default)	n/a	n/a	n/a	1.00	1.74	1.63

10% Totex sensitivity

Key ratios Notional	Target	FY26	FY27	FY28	FY29	FY30	Average
Gearing		62.2%	64.3%	66.7%	68.8%	70.9%	66.6%
Adjusted ICR (Ofwat basis)	1.50	2.04	1.96	1.89	1.81	1.75	1.89
FFO to debt (Ofwat basis)	9.0%	9.40%	8.98%	8.48%	8.09%	7.73%	8.54%
Adjusted ICR (Moody's methodology)	1.50	1.32	1.28	1.24	1.21	1.18	1.25
FFO to debt (S&P methodology)	9.0%	8.49%	8.06%	7.57%	7.17%	6.81%	7.62%
Adjusted ICR (YW senior covenanted)	1.50	n/a	n/a	n/a	n/a	n/a	n/a
Adjusted ICR (YW class A covenanted - default)		n/a	n/a	n/a	n/a	n/a	n/a

Key ratios Actual	Target	FY26	FY27	FY28	FY29	FY30	Average
Gearing		79.6%	84.0%	85.4%	83.6%	83.3%	83.2%
Adjusted ICR (Ofwat basis)	1.30	1.82	1.84	1.78	1.71	1.70	1.77
FFO to debt (Ofwat basis)	6.0%	7.04%	6.96%	6.70%	6.48%	6.35%	6.71%
Adjusted ICR (Moody's methodology)	1.30	1.13	1.16	1.09	1.08	1.08	1.11
FFO to debt (S&P methodology)	6.0%	5.40%	5.38%	5.10%	4.82%	4.72%	5.08%
Adjusted ICR (YW senior covenanted)	1.20	1.18	1.20	1.17	1.14	1.15	1.17
Adjusted ICR (YW class A covenanted - default)	1.00	1.37	1.40	1.37	1.33	1.33	1.33

3% ODI penalty sensitivity

Key ratios Notional	Target	FY26	FY27	FY28	FY29	FY30	Average
Gearing		60.9%	61.6%	63.9%	65.9%	67.8%	64.0%
Adjusted ICR (Ofwat basis)	1.50	2.34	2.30	1.68	1.61	1.55	1.90
FFO to debt (Ofwat basis)	9.0%	10.55%	10.36%	8.07%	7.70%	7.35%	8.80%
Adjusted ICR (Moody's methodology)	1.50	1.61	1.59	1.01	0.98	0.96	1.23
FFO to debt (S&P methodology)	9.0%	9.62%	9.42%	7.16%	6.78%	6.43%	7.88%
Adjusted ICR (YW senior covenanted)	1.50	n/a	n/a	n/a	n/a	n/a	n/a
Adjusted ICR (YW class A covenanted - default)		n/a	n/a	n/a	n/a	n/a	n/a

Appendix 13g – Financial resilience analysis

Key ratios Actual	Target	FY26	FY27	FY28	FY29	FY30	Average
Gearing		78.3%	81.0%	82.3%	83.6%	83.3%	81.7%
Adjusted ICR (Ofwat basis)	1.30	2.09	2.15	2.09	2.01	1.99	2.06
FFO to debt (Ofwat basis)	6.0%	7.90%	7.97%	7.70%	7.46%	7.31%	7.67%
Adjusted ICR (Moody's methodology)	1.30	1.44	1.49	0.94	0.92	0.92	1.14
FFO to debt (S&P methodology)	6.0%	6.23%	6.35%	4.66%	4.39%	4.31%	5.18%
Adjusted ICR (YW senior covenanted)	1.20	1.44	1.49	0.94	0.92	0.92	1.14
Adjusted ICR (YW class A covenanted - default)	1.00	1.68	1.75	1.10	1.07	1.07	1.07

High inflation sensitivity

Key ratios Notional	Target	FY26	FY27	FY28	FY29	FY30	Average
Gearing		60.5%	60.8%	61.4%	61.8%	62.2%	61.4%
Adjusted ICR (Ofwat basis)	1.50	2.36	2.33	2.30	2.26	2.24	2.30
FFO to debt (Ofwat basis)	9.0%	10.63%	10.53%	10.31%	10.18%	10.07%	10.35%
Adjusted ICR (Moody's methodology)	1.50	1.62	1.61	1.60	1.59	1.59	1.60
FFO to debt (S&P methodology)	9.0%	9.39%	9.28%	9.08%	8.94%	8.83%	9.10%
Adjusted ICR (YW senior covenanted)	1.50	n/a	n/a	n/a	n/a	n/a	n/a
Adjusted ICR (YW class A covenanted - default)		n/a	n/a	n/a	n/a	n/a	n/a

Key ratios Actual	Target	FY26	FY27	FY28	FY29	FY30	Average
Gearing		78.0%	77.5%	77.3%	83.6%	83.3%	79.9%
Adjusted ICR (Ofwat basis)	1.30	2.09	2.16	2.13	2.10	2.13	2.12
FFO to debt (Ofwat basis)	6.0%	7.93%	8.06%	7.97%	7.93%	7.97%	7.97%
Adjusted ICR (Moody's methodology)	1.30	1.44	1.50	1.49	1.48	1.51	1.48
FFO to debt (S&P methodology)	6.0%	5.72%	5.89%	5.75%	5.60%	5.67%	5.73%
Adjusted ICR (YW senior covenanted)	1.20	1.44	1.50	1.49	1.48	1.51	1.48
Adjusted ICR (YW class A covenanted - default)	1.00	1.68	1.76	1.75	1.73	1.78	1.78

Low inflation sensitivity

Key ratios Notional	Target	FY26	FY27	FY28	FY29	FY30	Average
Gearing		61.3%	62.5%	64.0%	65.4%	66.7%	64.0%
Adjusted ICR (Ofwat basis)	1.50	2.33	2.27	2.21	2.15	2.09	2.21
FFO to debt (Ofwat basis)	9.0%	10.47%	10.18%	9.79%	9.49%	9.20%	9.83%
Adjusted ICR (Moody's methodology)	1.50	1.60	1.57	1.54	1.51	1.49	1.54
FFO to debt (S&P methodology)	9.0%	9.84%	9.56%	9.17%	8.86%	8.57%	9.20%
Adjusted ICR (YW senior covenanted)	1.50	n/a	n/a	n/a	n/a	n/a	n/a
Adjusted ICR (YW class A covenanted - default)		n/a	n/a	n/a	n/a	n/a	n/a

Appendix 13g – Financial resilience analysis

Key ratios Actual	Target	FY26	FY27	FY28	FY29	FY30	Average
Gearing		78.6%	79.9%	80.3%	83.6%	83.3%	81.1%
Adjusted ICR (Ofwat basis)	1.30	2.08	2.13	2.09	2.04	2.05	2.08
FFO to debt (Ofwat basis)	6.0%	7.87%	7.90%	7.74%	7.62%	7.58%	7.74%
Adjusted ICR (Moody's methodology)	1.30	1.43	1.48	1.46	1.44	1.46	1.45
FFO to debt (S&P methodology)	6.0%	6.75%	6.82%	6.64%	6.46%	6.44%	6.62%
Adjusted ICR (YW senior covenanted)	1.20	1.43	1.48	1.46	1.44	1.46	1.45
Adjusted ICR (YW class A covenanted - default)	1.00	1.67	1.74	1.71	1.68	1.70	1.70

Bad debt sensitivity

Key ratios Notional	Target	FY26	FY27	FY28	FY29	FY30	Average
Gearing		60.9%	61.7%	62.7%	63.6%	64.4%	62.7%
Adjusted ICR (Ofwat basis)	1.50	2.33	2.29	2.24	2.20	2.15	2.24
FFO to debt (Ofwat basis)	9.0%	10.53%	10.33%	10.02%	9.80%	9.60%	10.05%
Adjusted ICR (Moody's methodology)	1.50	1.61	1.59	1.57	1.55	1.53	1.57
FFO to debt (S&P methodology)	9.0%	9.59%	9.39%	9.09%	8.87%	8.66%	9.12%
Adjusted ICR (YW senior covenanted)	1.50	n/a	n/a	n/a	n/a	n/a	n/a
Adjusted ICR (YW class A covenanted - default)		n/a	n/a	n/a	n/a	n/a	n/a

Key ratios Actual	Target	FY26	FY27	FY28	FY29	FY30	Average
Gearing		78.3%	78.8%	78.9%	83.6%	83.3%	80.6%
Adjusted ICR (Ofwat basis)	1.30	2.08	2.14	2.10	2.06	2.08	2.09
FFO to debt (Ofwat basis)	6.0%	7.88%	7.95%	7.83%	7.74%	7.73%	7.83%
Adjusted ICR (Moody's methodology)	1.30	1.43	1.48	1.47	1.45	1.47	1.46
FFO to debt (S&P methodology)	6.0%	6.21%	6.33%	6.17%	6.00%	6.02%	6.14%
Adjusted ICR (YW senior covenanted)	1.20	1.43	1.48	1.47	1.45	1.47	1.46
Adjusted ICR (YW class A covenanted - default)	1.00	1.67	1.74	1.72	1.69	1.73	1.73

Interest rate sensitivity

Key ratios Notional	Target	FY26	FY27	FY28	FY29	FY30	Average
Gearing		61.0%	61.9%	63.1%	64.3%	65.4%	63.1%
Adjusted ICR (Ofwat basis)	1.50	2.26	2.15	2.03	1.93	1.84	2.04
FFO to debt (Ofwat basis)	9.0%	10.43%	10.11%	9.64%	9.27%	8.91%	9.67%
Adjusted ICR (Moody's methodology)	1.50	1.56	1.49	1.42	1.36	1.30	1.43
FFO to debt (S&P methodology)	9.0%	9.49%	9.17%	8.71%	8.34%	7.98%	8.74%
Adjusted ICR (YW senior covenanted)	1.50	n/a	n/a	n/a	n/a	n/a	n/a
Adjusted ICR (YW class A covenanted - default)		n/a	n/a	n/a	n/a	n/a	n/a

Appendix 13g – Financial resilience analysis

Key ratios Actual	Target	FY26	FY27	FY28	FY29	FY30	Average
Gearing		78.6%	80.6%	81.3%	83.6%	83.3%	81.5%
Adjusted ICR (Ofwat basis)	1.30	1.81	1.78	1.70	1.62	1.61	1.70
FFO to debt (Ofwat basis)	6.0%	7.44%	7.34%	7.06%	6.84%	6.74%	7.09%
Adjusted ICR (Moody's methodology)	1.30	1.25	1.24	1.19	1.14	1.14	1.19
FFO to debt (S&P methodology)	6.0%	5.78%	5.73%	5.43%	5.14%	5.07%	5.43%
Adjusted ICR (YW senior covenanted)	1.20	1.25	1.24	1.19	1.14	1.14	1.19
Adjusted ICR (YW class A covenanted - default)	1.00	1.54	1.52	1.44	1.38	1.38	1.38

Financial penalty sensitivity

Key ratios Notional	Target	FY26	FY27	FY28	FY29	FY30	Average
Gearing		60.9%	61.6%	63.1%	64.0%	64.8%	62.9%
Adjusted ICR (Ofwat basis)	1.50	2.34	2.30	2.04	2.19	2.15	2.20
FFO to debt (Ofwat basis)	9.0%	10.55%	10.36%	9.32%	9.75%	9.55%	9.90%
Adjusted ICR (Moody's methodology)	1.50	1.61	1.59	1.37	1.54	1.53	1.53
FFO to debt (S&P methodology)	9.0%	9.62%	9.42%	8.40%	8.81%	8.61%	8.97%
Adjusted ICR (YW senior covenanted)	1.50	n/a	n/a	n/a	n/a	n/a	n/a
Adjusted ICR (YW class A covenanted - default)		n/a	n/a	n/a	n/a	n/a	n/a

Key ratios Actual	Target	FY26	FY27	FY28	FY29	FY30	Average
Gearing		78.3%	79.2%	79.3%	83.6%	83.3%	80.7%
Adjusted ICR (Ofwat basis)	1.30	2.09	2.15	1.91	2.05	2.07	2.05
FFO to debt (Ofwat basis)	6.0%	7.90%	7.97%	7.27%	7.70%	7.70%	7.71%
Adjusted ICR (Moody's methodology)	1.30	1.44	1.49	1.28	1.45	1.47	1.42
FFO to debt (S&P methodology)	6.0%	6.23%	6.35%	5.62%	5.97%	5.99%	6.03%
Adjusted ICR (YW senior covenanted)	1.20	1.44	1.49	1.28	1.45	1.47	1.42
Adjusted ICR (YW class A covenanted - default)	1.00	1.68	1.75	1.50	1.69	1.72	1.72

Combined sensitivity

Key ratios Notional	Target	FY26	FY27	FY28	FY29	FY30	Average
Gearing		62.3%	64.5%	67.5%	70.3%	73.0%	67.5%
Adjusted ICR (Ofwat basis)	1.50	2.01	1.87	1.59	1.51	1.45	1.68
FFO to debt (Ofwat basis)	9.0%	9.31%	8.64%	7.43%	6.99%	6.59%	7.79%
Adjusted ICR (Moody's methodology)	1.50	1.29	1.18	0.95	0.92	0.89	1.05
FFO to debt (S&P methodology)	9.0%	8.39%	7.72%	6.53%	6.09%	5.68%	6.88%
Adjusted ICR (YW senior covenanted)	1.50	n/a	n/a	n/a	n/a	n/a	n/a
Adjusted ICR (YW class A covenanted - default)		n/a	n/a	n/a	n/a	n/a	n/a

Appendix 13g – Financial resilience analysis

Key ratios Actual	Target	FY26	FY27	FY28	FY29	FY30	Average
Gearing		79.7%	85.5%	87.5%	83.6%	83.3%	83.9%
Adjusted ICR (Ofwat basis)	1.30	1.79	1.75	1.74	1.66	1.64	1.72
FFO to debt (Ofwat basis)	6.0%	6.97%	6.70%	6.54%	6.26%	6.07%	6.51%
Adjusted ICR (Moody's methodology)	1.30	1.10	1.07	0.81	0.80	0.80	0.92
FFO to debt (S&P methodology)	6.0%	5.33%	5.12%	4.28%	3.97%	3.84%	4.51%
Adjusted ICR (YW senior covenanted)	1.20	1.15	1.11	0.89	0.87	0.86	0.98
Adjusted ICR (YW class A covenanted - default)	1.00	1.34	1.30	1.04	1.00	1.00	1.00

d. Summary

The results above are not materially different from those reviewed in AMP7 above.

As we concluded above that we were financially resilient throughout AMP7 the results above do not provide any evidence to suggest that we would not also be financially resilient through AMP8.

Conclusion

Based on the above analysis we conclude that company plan is financially resilient throughout AMP7 and beyond.