

Yorkshire Water Services Limited

Condensed interim report and Financial Statements

Registered number: 02366682

For the six month period ended 30 September 2025



YorkshireWater

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Business Review

Chief Executive's Review

This is the first interim report of Asset Management Period 8 (AMP8), a five-year period that will see us deliver a record £8.3bn programme of investment across the region. It has been good to be able to get this huge programme underway and to make strong progress in the first six months.

Particular highlights in the period have included getting 85% of the AMP8 programme into design, starting on site on some of our early storm overflow discharge reduction projects, replacing more than 100km of water main and installing more than 50,000 smart meters as part of our upgrade programme.

As part of the AMP8 regulatory framework, Ofwat has established a wide range of Operational Delivery Incentive arrangements based around performance targets for individual water companies. We are performing as expected in the vast majority of areas but continue to need to improve on pollution, serious pollution and customer service.

We have action plans in place to drive performance in these areas and it has been good to see early signs that these plans are delivering, with pollution incidents decreasing week-on-week towards the end of the six-month period, and customer satisfaction rising in the second quarter. Nevertheless, we are clear that there remains significant work to do before we can say that we have delivered on our commitment to achieve 'A Thriving Yorkshire: Right for Customers. Right for the Environment'.

Investment

Over the next five years, we will be investing in areas such as new water mains to reduce leakage, increasing clean water supply through new boreholes, reducing discharges at over 400 storm overflows and delivering improvements to water quality at coastal and inland bathing waters. Investment like these will enable us to reduce pollution and strengthen the resilience of our regional water supply.

Our current performance in reducing environmental impacts from pollution falls short of our expectations and what is expected from us by customers. Urgent improvement in this area are therefore essential. We regard any serious pollution incident as wholly unacceptable, and operational improvements and investment will drive the changes needed to deliver stronger performance and better outcomes for our customers and the environment.

Given the significant step-up in investment over the next five years, a big focus for us over the first six months has been making sure we have the teams in place to deliver the programme successfully. We have made a great start in a number of areas, including our mains renewal programme, which is now replacing five kilometres per week. The fact that our teams have delivered more mains renewal in the first six months than we did in the previous five years demonstrates the scale and pace of delivery. This will help deliver the benefits of investment sooner, with fewer bursts, faster repairs and better water quality across the network.

But we aren't only focussing on delivering the quantity of investment, we're also keen to deliver quality investment. For example, at 18 of our wastewater treatment works we will be installing wetlands to improve the quality of the final treated effluent which is released back to the water environment. The use of nature-based solutions provides much wider benefits, from carbon reductions to biodiversity improvements, than would have been the case using traditional grey infrastructure.

Given the scale and complexity of improvements we are making, we know we need to deliver our projects on time and on budget. This is increasingly important as our customers are paying higher bills to fund better outcomes, and we have an obligation to them to deliver the improvements in our plan.

We understand that stakeholders and customers will want to track our progress in delivering this investment and our performance over the next five years. To support this, we have committed to providing twice-yearly performance updates that will show how we are doing on a range of performance metrics and our progress in delivering key investment programmes.

Business Review

To address the impact of higher bills, we're doing more to support our customers in the most financially vulnerable circumstances. Over the next five years, we aim to provide financial support to 100,000 additional households. It is encouraging that during the first six months, we have already managed to increase the number of households receiving support by more than 20,000.

Setting ourselves up to succeed

To execute this complex investment programme, we have implemented changes to ensure our teams have the resources they need and are structured to deliver the best results possible.

In particular, we have recruited around 500 people to join our team and they are already delivering improved service for our customers. For example our 100 new leakage inspectors have been helping to protect water resources during the drought. This expansion also creates new opportunities to develop people within the region, and we have begun the selection process for 65 graduates to join the business in 2026, building on the 24 graduates who started with us this September.

We're also making changes to our internal structures to improve our planning and delivery processes. This has included some senior changes, where we've welcomed new members of the executive team.

- Matt Pinder, our previous Chief of Staff, has become Director of Customer, Distribution and Collection.
- Steph Pullan, our previous Head of Wastewater Asset Management has taken the post of our new Director of Asset Management.
- Tim Hawkins, previously our Interim Director of Strategy & Regulation has moved to the new role of Director of Corporate Affairs and Partnerships.

Our former Chief Financial Officer Paul Inman retired from his role at the end of May 2025, and we were delighted to welcome Martin Gee to the business as his replacement. Imran Patel, our Group Director of Customer Experience has decided that now is the right time for him to move on, and I'm grateful to Paul and Imran for their contribution to Yorkshire Water.

Finally, in October we informed our colleagues that after a long and productive period with our headquarters in Bradford, we will be relocating our operational support centre to a new site south of Leeds city centre in Summer 2026. This move will enable us to improve the working environment, bring our teams together in a single building to support collaboration, and maintain a location at the centre of Yorkshire, allowing us to engage with our teams and attract people to join us from across the county.

Drought

The spring and summer months were exceptionally dry and hot, and on 12 June the Environment Agency (EA) officially declared Yorkshire as being in drought. We are very grateful to customers who reduced their water consumption over the summer period. Together with the introduction of a Temporary Use Ban in July, this helped us conserve water stocks with domestic customers using 10% less water over the summer. At the same time, our teams have used our water grid to distribute water around Yorkshire, enabling us to protect supplies for the whole region and minimise harm to the environment.

We have a firm focus on ensuring long-term resilience to drought. Overall leakage was reduced by 15% between 2020 and 2025, and we are targeting a further 15% reduction by 2030. These activities are part of our long-term Water Resources Management Plan, which we review and update every five years to take account of changes in long-term supply and demand forecasts for water. Our current plan is available to read on our website and includes borehole construction, improving raw water pipes and £216m of investment in increasing available supplies and managing demand.

Business Review

Regulatory performance reports

In October, Ofwat and the EA published reports about the performance of the water sector across a range of metrics. The reports highlighted a number of areas where Yorkshire Water's performance has fallen short of regulatory targets and requirements.

Ofwat's Performance Report assesses performance across the previous financial year across 12 key metrics. While our performance improved in nine of the twelve performance areas during the course of the year, we only met the regulator's performance target in four areas. This led to Yorkshire Water being categorized by Ofwat as a 'lagging' company.

The annual Environmental Performance Assessment is published by the EA and looks across the previous calendar year. Each company is awarded a star rating based on their performance with four stars meaning a company is industry leading. We were a two star company for 2024, the same as our 2023 result.

Regulatory reform

We have continued to engage with the Government since the Independent Water Commission, chaired by Sir Jon Cunliffe, published its final report in July. The Commission recommended 88 changes to the regulatory framework for the Water sector. We were particularly pleased to see the recommendation to establish a new integrated water regulator to bring together the work of the three core water regulators – Ofwat, the Drinking Water Inspectorate and the EA. We look forward to the Government's forthcoming White Paper which will set out the approach that it intends to take to implement the recommendations.

Looking forward

The investment programmes already underway are laying the foundations for better performance for both customers and the environment.

With our renewed focus on quality, efficiency and resilience, supported by a strengthened team and improved processes, we are expecting to see marked improvements in our performance over the coming years and the delivery of the high standards that our stakeholders rightly expect.

This will enable us to take a big step towards achieving our goal of 'A Thriving Yorkshire: Right for Customers. Right for the Environment'.

Nicola Shaw
Chief Executive Officer

Business Review

Financial Performance

Yorkshire Water's key financial performance indicators (KPIs) are set out below:

	Unaudited six month period ended 30 September 2025	Unaudited six month period ended 30 September 2024
Profit and loss indicators		
Revenue (£m)	833.0	653.1
Operating costs (£m)	554.3	479.2
Operating profit (£m)	278.7	173.9
EBITDA (£m) ¹	471.6	358.6
Net interest payable (£m)	156.0	116.0
Adjusted profit after taxation (£m) ²	83.3	40.2
Capital expenditure (£m)	395.8	404.3
Balance sheet indicators		
	Unaudited as at 30 September 2025	Audited as at 31 March 2025
Yorkshire Water Financing Group adjusted net debt (£m) ³	7,392.9	6,873.9
Regulatory Capital Value (RCV) (£m)	9,959.7	9,475.5
Gearing ⁴	74.2%	72.5%

¹ EBITDA (Earnings before interest, tax, depreciation and amortisation) is a KPI for the Yorkshire Water Board. EBITDA is reconciled to profit before taxation on page 6.

² Adjusted profit after taxation (adjusted for fair value movements) is a KPI for the Yorkshire Water Board and is reconciled to profit before taxation on page 6.

³ Adjusted net debt at 30 September 2025 includes £0.9m (31 March 2025: £0.8m) of cash held in Yorkshire Water Finance Plc. For covenants net debt is presented for the Yorkshire Water Financing Group (YWFG: Yorkshire Water Services Ltd, Yorkshire Water Holdings Limited, Yorkshire Water Services Finance Ltd and Yorkshire Water Finance Plc). As such, the KPI is monitored based on this position. Adjusted net debt is reconciled to total net debt per the interim Financial Statements on page 7.

⁴ Gearing is calculated as YWFG adjusted net debt/RCV. This is consistent with the covenant gearing definition as per our financing agreements.

Revenue has increased by 28% to £833.0m (six month period ended 30 September 2024: £653.1m) which is a result of the increased price allowance for the first year of AMP8.

Operating costs have increased by 16% (from £479.2m to £554.3m). This increase is predominantly driven by an increase in colleague headcount to support business activities, the impact of the drought expenditure and increased supply demand over the summer period, coupled with general inflationary cost pressures.

As a result, operating profit has increased in the period to £278.7m (six month period ended 30 September 2024: £173.9m).



Business Review

Overall, the net impact of the above movements is an increase to EBITDA of £113.0m to £471.6m (six month period ended 30 September 2024: £358.6m).

Net interest payable has increased to £156.0m (six month period ended 30 September 2024: £116.0m) driven partly by interest on new fixed rate debt issued and partly by higher non-cash indexation uplift on inflation linked debt, due to an increase in inflation rates in the period.

Adjusted profit after taxation is calculated as profit before tax adjusted for fair value movements and taxation. The adjusted profit after taxation for the six month period ended 30 September 2025 is £83.3m (six month period ended 30 September 2024: £40.2m profit). A further reconciliation between this and the statutory measure can be found overleaf.

Excluded from EBITDA and adjusted profit after taxation is the net fair value movement on financial instruments of £78.1m credit (six month period ended 30 September 2024: £147.2m credit) which has largely arisen due to a non-cash decrease in the net liability valuation of inflation linked swaps.

Dividends of £42.6m (six month period ended 30 September 2024: £37.5m) were paid in the period. No distributions have been made to the ultimate shareholders of the Kelda Holdings Limited group (Kelda group).

Capital expenditure in the six month period to 30 September 2025 was £395.8m (six month period ended 30 September 2024 £404.3m). The marginal decrease is due to the start of the new AMP as we move to the earlier stage of the cycle and are now building up the investment programme. This is partially offset by AMP8 having a higher overall forecast capital expenditure due to the large investment programme.

During the six month period to 30 September 2025, adjusted net debt has increased to £7,392.9m (31 March 2025: £6,873.9m) which reflects the continued funding of Yorkshire Water operations, including capital expenditure.

As at 30 September 2025, Yorkshire Water had access to undrawn committed facilities totalling £1,078.5m (31 March 2025: £1,078.5m).

The RCV has increased to £9,959.7m (31 March 2025: £9,475.5m) which reflects real growth for the first six months of the year from capital investment as established in our Final Determination, together with inflationary growth.

The changes in adjusted net debt and RCV led to an increase in gearing to 74.2% compared with 72.5% at 31 March 2025.

Business Review

Alternative Finance Performance Measures (AFPMs)

Yorkshire Water uses a number of AFPMs to assist in presenting information in this report in a form that is easy to analyse and compare.

Earnings before interest, tax, depreciation, amortisation and exceptional items (EBITDA) is calculated as follows:

	Unaudited for the period ended 30 September 2025 £m	Unaudited for the period ended 30 September 2024 £m
Profit before taxation	200.8	205.1
Add back net interest payable	156.0	116.0
Deduct fair value movements (note 7)	(78.1)	(147.2)
Operating profit	278.7	173.9
Add back depreciation and impairment	160.3	158.1
Add back amortisation of intangible assets	32.6	26.6
EBITDA	471.6	358.6

Adjusted profit after taxation for the period is calculated as follows:

	Unaudited for the period ended 30 September 2025 £m	Unaudited for the period ended 30 September 2024 £m
Profit before taxation	200.8	205.1
Deduct fair value movements (note 7)	(78.1)	(147.2)
Adjusted profit before the effects of taxation	122.7	57.9
Effects of taxation*	(39.4)	(17.7)
Adjusted profit after taxation	83.3	40.2

* Effects of taxation represents the total tax charge (current and deferred tax) on adjusted profit before the effects of taxation. This is calculated by adjusting the total tax charge included in the profit and loss account as shown in note 2 for the deferred tax associated with the fair value movements noted above.

Business Review

Adjusted profit after taxation excludes fair value derivative movements. This excludes volatile balances and provides a more stable view of profitability to management and is therefore a valuable metric to the business.

The table below shows the reconciliation between Yorkshire Water's reported net debt and the net debt used to calculate gearing in accordance with financial covenants.

	Unaudited as at 30 September 2025 £m	Audited as at 31 March 2025 £m
Total net debt (note 5)	6,217.7	5,764.0
Amounts owed from group undertakings included in total net debt	437.2	437.2
Fair value adjustments to amounts owed to subsidiary undertakings included in total net debt	26.1	31.8
Unamortised issue discount and costs	132.5	127.0
Intercompany loans from other members of the YWFG	(6.4)	(7.6)
Inflation linked swaps RPI bullet accrued (note 7)	586.7	522.3
Adjusted net debt	7,393.8	6,874.7
Yorkshire Water Finance Plc cash	(0.9)	(0.8)
Adjusted net debt (Yorkshire Water Financing Group)	7,392.9	6,873.9

RCV as at 30 September 2025 is £9,959.7m (31 March 2025: £9,475.5m). Adjusted net debt to RCV is 74.2% (31 March 2025: 72.5%).

Business Review

Our approach to risk management

Yorkshire Water provides a critical service to 5.5 million individual people who live in 2.3 million homes in Yorkshire, as well as 139,000 businesses. Effective risk management helps ensure that we can meet our customers' needs and protect the environment, whilst keeping our colleagues safe and well. Our risk management framework promotes resilience through early identification of what could go wrong and putting controls in place to mitigate the effects before they happen.

Principal Risks and Uncertainties

Our principal risks are our aggregated top risks from the corporate risk register which have the potential to threaten resilience or to prevent us achieving our strategic objectives.

The Board maintains oversight of the 15 principal risks through a programme of updates across various committees. Clear systems of internal control remain in place to mitigate risk to an acceptable level.

The operating environment remains challenging amid political and regulatory pressures, global tensions, and significant capital requirements. Environmental protection remains a focus for our operational teams, adapting to the impact of extreme weather events and the need to improve regional river health, improving our wastewater treatment works compliance and working in partnership with key stakeholders. There's a business-wide response to help with the water resource challenges. This includes communicating with customers, finding and fixing leaks and planning what more we can do to conserve water. We are also engaging with stakeholders and other water companies about our water resource challenges and our plans to increase resilience over the next five years and beyond.

Cyber and physical security remains a strong focus for our business with improved controls introduced across the Yorkshire Water estate. Following the recent cyber-attacks targeting major UK retailers, internal response and mitigation measures were implemented. This included assurance of alignment with the National Cyber Security Centre guidance, targeted briefing and training, enhanced protection of specific accounts, and increasing phishing simulations to mimic the attack.

Although there has been considerable external volatility, investment to fulfil the ten-year strategy is ongoing and the overall risk profile is consistent with the Annual Report and Financial Statement (ARFS) dated 31 March 2025.

Further detail can be found on Yorkshire Water website at www.yorkshirewater.com.

Condensed Profit and Loss Account

For the six month period ended 30 September 2025

	Note	Unaudited for the period ended 30 September 2025 £m	Unaudited for the period ended 30 September 2024 £m
Revenue		833.0	653.1
Operating costs before charge for bad and doubtful debts		(544.4)	(466.9)
Charge for bad and doubtful debts		(9.9)	(12.3)
Operating costs		(554.3)	(479.2)
Operating profit		278.7	173.9
Interest receivable and similar income before fair value movements		29.6	24.7
Interest payable and similar charges before fair value movements		(185.6)	(140.7)
Fair value movements on financial instruments	7	78.1	147.2
Profit before taxation		200.8	205.1
Taxation	2	(58.9)	(54.5)
Profit for the six month period		141.9	150.6

Condensed Statement of Comprehensive Income and Expense

For the six month period ended 30 September 2025

	Note	Unaudited for the period ended 30 September 2025 £m	Unaudited for the period ended 30 September 2024 £m
Profit for the six month period		141.9	150.6
Items that may be subsequently reclassified to profit or loss:			
Movement on cash flow hedges taken to equity before taxation		(2.4)	(0.9)
Tax on cash flow hedges	2	0.6	0.2
		(1.8)	(0.7)
Total comprehensive income for the six month period		140.1	149.9

All of the above results relate to continuing activities.

Condensed Balance Sheet

As at 30 September 2025

	Note	Unaudited as at 30 September 2025 £m	Audited as at 31 March 2025 £m
Fixed assets			
Intangible assets		321.3	328.0
Tangible assets		10,187.0	9,951.5
Investments		2.2	2.2
Non-current debtors		559.6	540.5
		<u>11,070.1</u>	<u>10,822.2</u>
Current assets			
Stocks		8.5	8.3
Current debtors (including £283.6m due after more than one year (31 March 2025: £279.6m))		734.0	637.2
Cash and cash equivalents		714.9	490.5
Bank deposits		97.8	-
		<u>1,555.2</u>	<u>1,136.0</u>
Creditors: amounts falling due within one year		<u>(528.0)</u>	<u>(751.6)</u>
Net current assets		<u>1,027.2</u>	<u>384.4</u>
Total assets less current liabilities		<u>12,097.3</u>	<u>11,206.6</u>
Creditors: amounts falling due after more than one year	4	(9,616.1)	(8,879.3)
Provisions for liabilities			
Deferred tax liability		(872.2)	(813.9)
Other provisions		(37.8)	(39.7)
		<u>(910.0)</u>	<u>(853.6)</u>
Net assets		<u><u>1,571.2</u></u>	<u><u>1,473.7</u></u>
Capital and reserves			
Called up share capital		11.0	11.0
Revaluation reserve		583.5	583.5
Hedging reserve		-	1.8
Profit and loss account		976.7	877.4
		<u>1,571.2</u>	<u>1,473.7</u>
Shareholders' funds		<u><u>1,571.2</u></u>	<u><u>1,473.7</u></u>

Condensed Balance Sheet (continued)

As at 30 September 2025

The condensed interim Financial Statements, which are unaudited, were approved by the Board of directors on 27 November 2025 and signed on its behalf by:



M A Gee

Chief Financial Officer

Condensed Statement of Changes in Equity

For the six month period ended 30 September 2025

		Called up share capital	Revaluation reserve £m	Hedging reserve £m	Profit and loss account £m	Shareholders' funds £m
	Note					
Balance at 1 April 2025		11.0	583.5	1.8	877.4	1,473.7
Total comprehensive income for the period						
Profit for the financial period		-	-	-	141.9	149.9
Other comprehensive expense for the period		-	-	(1.8)	-	(1.8)
Total comprehensive (expense)/income for the period		-	-	(1.8)	141.9	140.1
Transactions with owners recorded directly in equity						
Dividends	3	-	-	-	(42.6)	(42.6)
Balance at 30 September 2025		11.0	583.5	-	976.7	1,571.2
Balance at 1 April 2024		11.0	583.5	0.9	614.3	1,209.7
Total comprehensive income for the period						
Profit for the financial period		-	-	-	150.6	150.6
Other comprehensive expense for the period		-	-	(0.7)	-	(0.7)
Total comprehensive (expense)/income for the period		-	-	(0.7)	150.6	149.9
Transactions with owners recorded directly in equity						
Dividends	3	-	-	-	(37.5)	(37.5)
Balance at 30 September 2024		11.0	583.5	0.2	727.4	1,322.1

Notes to the condensed interim Financial Statements

For the six month period ended 30 September 2025

For the year ended 31 March 2025, the company prepared its Financial Statements in compliance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). This interim report has been produced on the same basis. The financial information for the six month period ended 30 September 2025, and the equivalent period in 2024, has not been audited. The interim financial information was approved for issue by the Board of directors on 27 November 2025.

1. Basis of preparation and accounting policies

The condensed financial information for the six month period ended 30 September 2025 has been prepared in accordance with FRS 104 'Interim Financial Reporting' and the Companies Act 2006. This report should be read in conjunction with the company's Annual Report and Financial Statements (AFRS) for the year ended 31 March 2025, which is available at <http://www.yorkshirewater.com/reports>. The company is exempt, by virtue of s400 of the Companies Act 2006, from the requirement to prepare group Financial Statements. This financial information presents information about the company as an individual undertaking and not about its group. As permitted by FRS 104, a statement of cash flows cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date, has not been presented as the company does not present a statement of cash flows in its year end Financial Statements.

The financial information for the year ended 31 March 2025, presented in these notes, does not constitute the company's statutory accounts for that period but has been extracted from the statutory accounts. The accounting policies, methods of computation and presentation are consistent with those published in the AFRS for the year ended 31 March 2025, as described in those Financial Statements. The interim condensed Financial Statements for the six month period ended 30 September 2025 have been prepared on the going concern basis as the directors have a reasonable expectation that the company has adequate resources for a period of at least 12 months from the date of their approval, and that there are no material uncertainties to disclose. The principal risks and uncertainties as disclosed in the year end accounts are considered to be consistent with those that are still applicable now.

2. Taxation

	Unaudited for the period ended 30 September 2025 £m	Unaudited for the period ended 30 September 2024 £m
Current tax	-	19.4
Deferred tax recognised in profit and loss account	58.9	35.1
Tax charge	58.9	54.5
Deferred tax recognised in other comprehensive income	0.6	0.2

Notes to the condensed interim Financial Statements

For the six month period ended 30 September 2025

3. Dividends paid

	Unaudited for the period ended 30 September 2024 £m	Unaudited for the period ended 30 September 2024 £m
Dividends paid during the period	42.6	37.5

None of the dividends paid were available to the shareholders of Kelda Holdings Limited (2024: £nil), Yorkshire Water's ultimate parent company.

4. Creditors: amounts falling due after more than one year

	Unaudited as at 30 September 2025 £m	Audited as at 31 March 2025 £m
Interest-bearing loans and borrowings (note 5)	778.6	766.0
Amounts owed to subsidiary undertakings	6,687.0	5,923.7
Other creditors	3.0	3.3
Derivative financial liabilities (note 7)	1,452.9	1,510.5
Deferred grants and contributions on depreciating tangible assets	694.6	675.8
	9,616.1	8,879.3

Notes to the condensed interim Financial Statements

For the six month period ended 30 September 2025

5. Interest-bearing loans and borrowings

	Bank loans and overdrafts 30 September 2025 £m	Finance leases 30 September 2025 £m	Unaudited total 30 September 2025 £m
Short term borrowings:			
In one year or less or on demand	-	2.0	2.0
Long term borrowings:			
In more than one year, but not more than two years	-	2.0	2.0
In more than two years, but not more than five years	168.6	6.0	174.6
In more than five years	576.9	25.1	602.0
	745.5	33.1	778.6
Amounts owed to subsidiary undertakings not in fair value hedge relationships (held at amortised cost)			6,284.7
Amounts owed to subsidiary undertakings in fair value hedge relationships (held at fair value)			402.3
Total borrowings			7,467.6
Cash and cash equivalents			(714.9)
Bank deposits			(97.8)
Amounts owed from group undertakings			(437.2)
Net debt at 30 September 2025			6,217.7

Notes to the condensed interim Financial Statements

For the six month period ended 30 September 2025

5. Interest-bearing loans and borrowings (continued)

	Bank loans and overdrafts	Finance lease	Audited total
	31 March	31 March	31 March
	2025	2025	2025
	£m	£m	£m
Short term borrowings:			
In one year or less or on demand	-	2.0	2.0
	<hr/>	<hr/>	<hr/>
Long term borrowings:			
In more than one year, but not more than two years	-	2.0	2.0
In more than two years, but not more than five years	164.0	6.0	170.0
In more than five years	567.9	26.1	594.0
	<hr/>	<hr/>	<hr/>
	731.9	34.1	766.0
Amounts owed to subsidiary undertakings not in fair value hedge relationships (held at amortised cost)			5,527.3
Amounts owed to subsidiary undertakings in fair value hedge relationships (held at fair value)			396.4
			<hr/>
Total borrowings			6,691.7
Cash and cash equivalents			(490.5)
Bank deposits			-
Amounts owed from group undertakings			(437.2)
			<hr/>
Net debt at 31 March 2025			5,764.0
			<hr/> <hr/>

Net debt is held at amortised cost, except for amounts owed to subsidiary undertakings in designated fair value relationships with associated fixed to floating interest rate swaps. The carrying value of these borrowings has been adjusted by £26.1m (31 March 2025: £31.8m) from £428.4m to £402.3m (31 March 2025: £428.2m to £396.4m) relating to the application of fair value hedge accounting.

Net debt includes unamortised issue discount and costs of £132.5m (31 March 2025: £127.0m).

On 15 July 2025, Yorkshire Water Finance Plc agreed terms for the issue of £375.0m sustainability bonds which mature in July 2033 with a coupon rate of 6.00% and £325.0m sustainability bonds which mature in July 2040 with a coupon rate of 6.625%. The net proceeds from the issue of these bonds were loaned to Yorkshire Water. The bonds were issued on 22 July 2025.

Notes to the condensed interim Financial Statements

For the six month period ended 30 September 2025

5. Interest-bearing loans and borrowings (continued)

During the six month period ended 30 September 2025, the company placed £97.8m (31 March 2025: £nil) into a number of bank deposits with scheduled maturities before the end of the relevant financial year but more than three months from the placement date. As these deposits are not held for the purpose of meeting short-term cash commitments (i.e. arising within three months), they do not meet the definition of cash equivalents and so have been excluded from the cash and cash equivalents figure. They do, however, represent deposits expected to be realised within the financial year in which they were placed and so are included in the calculation of the group's net debt.

As at 30 September 2025, Yorkshire Water had access to undrawn committed facilities totalling £1,078.5m (31 March 2025: £1,078.5m), £148.5m of which expires in March 2026 (the operating and maintenance facility), £80.0m of which expires in July 2027 (the committed credit facility), £630.0m of which expires in November 2029 (the revolving credit facility) and £220.0m of which expires in March 2030 (the debt service reserve facility).

Yorkshire Water is a member of the Yorkshire Water Financing Group (YWFG). Other members of the YWFG are Yorkshire Water Services Holdings Limited, Yorkshire Water Finance Plc and Yorkshire Water Services Finance Limited. Debt covenants covering the YWFG include the consolidated external debt position of this group of companies. When calculating the consolidated debt position of the YWFG, it should be noted that the book value of certain intercompany loans from Yorkshire Water Finance Plc recorded in these Financial Statements is £6.4m (31 March 2025: £7.6m) higher than the book value of the related underlying external debt. These intercompany loans, including amortising and deeply discounted loans, are related to exchange bonds issued by Yorkshire Water Finance Plc.

Notes to the condensed interim Financial Statements

For the six month period ended 30 September 2025

6. Reconciliation of movement in net debt

Analysis of movement in net debt:

	At 31 March 2025 £m	Non-cash movements £m	Cash movements £m	At 30 September 2025 £m
Cash and cash equivalents	(490.5)	-	(224.4)	(714.9)
Bank deposits	-	-	(97.8)	(97.8)
Short term borrowings	2.0	1.0	(1.0)	2.0
Long term borrowings	766.0	12.6	-	778.6
Amounts owed to subsidiary undertakings	5,923.7	74.9	688.4	6,687.0
Amounts owed from group undertakings	(437.2)	-	-	(437.2)
Net debt	5,764.0	88.5	365.2	6,217.7

Net debt does not include financial liabilities which are not considered to be part of the group's borrowings.

Notes to the condensed interim Financial Statements

For the six month period ended 30 September 2025

7. Derivative financial assets and liabilities

	Less than one year September 2025 £m	More than one year September 2025 £m	Unaudited Total September 2025 £m	Less than one year March 2025 £m	More than one year March 2025 £m	Audited Total March 2025 £m
Derivative financial assets:						
Inflation linked swaps	-	283.1	283.1	-	278.3	278.3
RPI to CPI swaps	-	-	-	-	0.8	0.8
Energy derivatives	0.4	0.5	0.9	1.9	0.5	2.4
	<u>0.4</u>	<u>283.6</u>	<u>284.0</u>	<u>1.9</u>	<u>279.6</u>	<u>281.5</u>
Derivative financial liabilities:						
Inflation linked swaps	-	(1,417.3)	(1,417.3)	-	(1,471.3)	(1,471.3)
RPI to CPI swaps	-	(4.6)	(4.6)	-	(2.1)	(2.1)
Fixed to floating interest rate swaps	(1.7)	(27.0)	(28.7)	-	(33.5)	(33.5)
Floating to fixed interest rate swaps	-	(3.8)	(3.8)	-	(3.5)	(3.5)
Energy derivatives	(0.8)	(0.2)	(1.0)	-	(0.1)	(0.1)
	<u>(2.5)</u>	<u>(1,452.9)</u>	<u>(1,455.4)</u>	<u>-</u>	<u>(1,510.5)</u>	<u>(1,510.5)</u>
Net derivative financial liabilities	<u>(2.1)</u>	<u>(1,169.3)</u>	<u>(1,171.4)</u>	<u>1.9</u>	<u>(1,230.9)</u>	<u>(1,229.0)</u>

	Unaudited for the period ended 30 September 2025 £m	Unaudited for the period ended 30 September 2024 £m
Fair value movements on financial instruments		
Movement in fair value of inflation linked swaps	82.7	153.4
Movement in fair value of RPI to CPI swaps	(3.3)	4.0
Movement in fair value of fixed to floating interest rate swaps	4.8	(5.3)
Movement in fair value of debt associated with fixed to floating interest rate swaps	(5.7)	(4.9)
Movement in fair value of floating to fixed interest rate swaps	(0.4)	-
	<u>78.1</u>	<u>147.2</u>

Notes to the condensed interim Financial Statements

For the six month period ended 30 September 2025

7. Derivative financial assets and liabilities (continued)

Inflation linked swaps

The company holds a number of inflation linked swaps, with a notional value of £1,088.6m (31 March 2025: £1,088.6m). There are three cash flows associated with these inflation linked swaps:

- six monthly interest receivable linked to SONIA;
- six monthly interest payable linked to RPI; and
- an RPI-linked bullet that is payable on maturity of the instruments or at certain predetermined dates over the duration of the swaps.

In addition, a proportion of the inflation linked swaps also receive six monthly interest amounts based on a fixed rate.

Interest payments and receipts are accrued in the profit and loss account. The RPI bullet accumulated at the balance sheet date has been accrued in the profit and loss account and is recognised within derivative financial assets and derivative financial liabilities. The RPI bullet accrued to 30 September 2025 was £586.7m (31 March 2025: £522.3m). Discounting the bullet to present value using an appropriate rate applied to the specific life of the inflation linked swaps decreases it by £229.9m (31 March 2025: £224.9m) to £356.8m (31 March 2025: £297.4m).

Yorkshire Water's portfolio of inflation linked swaps gave rise to a net liability of £1,134.2m at 30 September 2025 (31 March 2025: £1,193.0m net liability), comprising £283.1m assets (31 March 2025: £278.3m assets) and £1,417.3m liabilities (31 March 2025: £1,471.3m liabilities). Included within the net liability are net assets of £58.8m (31 March 2025: £60.2m) relating to unamortised day one deferred gains and losses recognised on the restructuring of certain inflation linked swaps in prior periods.

Notes to the condensed interim Financial Statements

For the six month period ended 30 September 2025

7. Derivative financial assets and liabilities (continued)

Inflation linked swaps (continued)

The valuation model used by Yorkshire Water to determine the fair value of the inflation linked swap portfolio as at 30 September 2025 includes a funding valuation adjustment, credit valuation adjustment and debit valuation adjustment to reflect long term credit risk. All the swaps in the portfolio have super-senior status. The funding valuation adjustments, credit valuation adjustments and debit valuation adjustments to the valuation represent unobservable inputs that have the potential to materially affect the resultant fair valuation and, therefore, require estimation techniques to be adopted by management.

Management uses a third-party expert to advise on the appropriateness of these assumptions. The total adjustment made to the valuation as a result of the assumptions adopted in respect of these key inputs was £244.3m (31 March 2025: £188.2m).

RPI to CPI swaps

The company holds swaps with a notional value at 30 September 2025 of £1,250.0m (31 March 2025: £650.0m) that have the following cash flows:

- annual accretion receivable linked to RPI; and
- annual accretion payable linked to CPI plus a fixed accretion amount payable.

These swaps are recognised as a net fair value liability of £4.6m at 30 September 2025 (31 March 2025: £1.3m net liability). Hedge accounting has not been applied. The adverse movement of £3.3m is made up of £nil net cash accretion paid (31 March 2025: £5.2m net paid) and £3.3m expense (31 March 2025: £4.3m expense) to the profit and loss account.

Energy derivatives

The company holds UK electricity swaps, which help hedge the company's exposure to energy price risk by exchanging the average day ahead baseload index price of electricity in a given month for a fixed price. These are designated as cash flow hedges and hedge accounting has been applied. The net adverse movement in the derivative of £2.4m from £2.3m net assets to £0.1m net liabilities (six month period to 30 September 2024: £0.9m from £1.1m net assets to £0.2m net assets), has been recognised in the Condensed Statement of Comprehensive Income and Expense.

Interest rate swaps

Yorkshire Water holds £45.0m notional value (31 March 2025: £45.0m) of floating to fixed interest rate swaps. These swaps are recognised at a fair value liability of £3.8m at 30 September 2025 (31 March 2025: £3.5m liability). Hedge accounting has not been applied. Of the increase in the liability of £0.3m in the six month period, £0.4m has been recognised in the profit and loss account as a fair value expense (six month period ended 30 September 2024: £nil), whilst £0.1m (six month period ended 30 September 2024: £0.1m) relates to net interest payments made during the period.

Yorkshire Water holds £1,430.0m notional value (31 March 2025: £430.0m) of fixed to floating interest rate swaps. These swaps are recognised as a net fair value liability of £28.7m at 30 September 2025 (31 March 2025: £33.5m liability).

Notes to the condensed interim Financial Statements

For the six month period ended 30 September 2025

7. Derivative financial assets and liabilities (continued)

Interest rate swaps (continued)

Fair value hedge accounting has been applied to fixed to floating interest rate swaps with a notional value of £430.0m (31 March 2025: £430.0m). These swaps are recognised as a fair value liability of £27.0m at 30 September 2025 (31 March 2025: £33.5m liability). In line with FRS 102, the financial instruments to which these fixed to floating interest rate swaps relate to have also been adjusted for the hedged interest rate risk at 30 September 2025. The net impact of the fair value movement of these fixed to floating interest rate swaps and the associated debt has resulted in £0.8m of income (six month period ended 30 September 2024: £6.2m expense) to the profit and loss account. This represents effectiveness in the hedge relationship.

Hedge accounting has not been applied to fixed to floating interest rate swaps with a notional value of £1,000.0m (31 March 2025: £nil). These swaps are recognised as a fair value liability of £1.7m (31 March 2025: £nil). The adverse movement of £1.7m (31 March 2025: £nil) has been charged as an expense to the profit and loss account.

8. Financial Instruments

The below table shows the difference in carrying values and fair values for non-derivative financial instruments, excluding any non-derivative financial instrument where carrying values approximate to fair values. The carrying values of derivatives equal their fair value, therefore a comparison has not been presented:

	Unaudited carrying value 30 September 2025 £m	Unaudited fair value 30 September 2025 £m	Audited carrying value 31 March 2025 £m	Audited fair value 31 March 2025 £m
<i>Held at amortised cost</i>				
Bank loans and overdrafts	(745.5)	(646.0)	(731.9)	(627.8)
Amounts owed to subsidiary undertakings not in fair value hedge relationships	(6,284.7)	(5,469.1)	(5,527.3)	(4,761.2)
Amounts owed by group undertakings	437.2	458.8	437.2	466.8

Notes to the condensed interim Financial Statements

For the six month period ended 30 September 2025

9. Contingent liabilities

EA investigations into the operating of wastewater assets

Both the EA and Ofwat commenced investigations in November 2021, against all water and sewerage companies in relation to the operations of their wastewater treatment assets. The Ofwat investigation has now concluded subject to compliance with the agreed undertakings.

The EA investigation is continuing with no timescales provided for next steps or conclusion. Yorkshire Water continue to comply with any requests for information in relation to this investigation.

Collective proceedings order (class action)

The proposed class representative (PCR) is seeking to bring a claim on behalf of the class comprising of customers of Yorkshire Water (on an opt out basis) and proceedings have been lodged on this basis. The claim is based on an alleged abuse of a dominant position in relation to the prices customers were charged for sewerage services. Similar claims were commenced against five other water and sewage companies (WaSCs).

Following the Certification hearing in September 2024, the judgment was received on 7 March 2025 confirming that the matter had not been certified. The PCR made an application for permission to appeal this decision to the Competition Appeals Tribunal. Permission to appeal was rejected and the WaSCs were each awarded a proportion of their legal costs to date. The PCR then made an application to the Court of Appeal for permission to appeal. This permission has been granted, and the Appeal hearing will take place in February 2026. The Claimant alleges that the damages are likely to be substantial, being at least £150.7m and as high as £390.9m including interest. Yorkshire Water has indicated that it will be defending the claim in full.

