

Delivering for our customers 2016

annual review summary



www.wessexwater.co.uk

*Wessex
Water*

a YTL company

A man with a beard, wearing a dark green t-shirt and blue jeans, is watering a garden. He is holding a yellow hose with a green nozzle, and water is spraying out. In the foreground, there are several white daisy-like flowers. The background shows green foliage and a clear sky.

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Welcome to our annual review for 2015-16. To make it easier to find the information you are looking for we have produced four linked documents. *Delivering for our customers* and *Annual report and accounts*, when combined, represent the full non-statutory accounts of the company.

This summary document, *Delivering for our customers*, is available as a hard copy and all four are on our website: www.wessexwater.co.uk



Delivering for our customers

This summary document provides an overview of our progress against performance commitments, as well as other company targets. The document also provides an overview of the financial and green accounts and the strategic report for the year. If you are interested in more detail, this is provided in the following supporting documents.



Annual report and accounts

The governance report explaining how the board undertakes its duties and non-statutory financial accounts.



Annual performance report

The regulatory accounts and more detailed information regarding the company's progress against our performance commitments.



Sustainability indicators and accounting

A more detailed explanation of our sustainability performance including a broader range of performance measures and a more detailed explanation of the green accounts.

About Wessex Water

Wessex Water continues to be a leader among water and sewerage companies and is committed to delivering the highest levels of customer service and environmental performance at a price that customers can afford.

We treat and supply:

280 million litres of water a day to 1.3 million customers (approximately a tonne of water to every customer weekly)

We have:

180 water sources and water treatment works
200 booster pumping stations
300 service reservoirs and water towers
11,800 kilometres (7,300 miles) of water mains

We take away and treat:

480 million litres of sewage from 2.8 million customers every day

We have:

34,700 kilometres (21,570 miles) of sewers
409 sewage treatment works
1,660 sewage pumping stations
20 catchments actively managed to reduce environmental impact

For further information about Wessex Water see our website

www.wessexwater.co.uk

Chairman's foreword



On behalf of the board of directors of Wessex Water, I am pleased to present the annual review and summary accounts for the financial year ending 31 March 2016.

Despite the challenging economic conditions and growing impact of climate change, we have maintained industry leading customer and environmental performance.

This has been achieved through careful planning, innovative approaches and greater use of in-house resources. We invest for the long term and take very seriously our role to maintain our assets for future generations.

The YTL Group believes that effective corporate social responsibility can deliver benefits to its businesses and investors by enhancing reputation and business trust, risk management, relationships with regulators, staff motivation and retention, customer loyalty and long-term shareholder value.

Social responsibility and sustainability are the key values of our group and we place a high priority on acting responsibly in the conduct of our business. We aim to offer value to society beyond what is expected.

Wessex Water reflects all these values and has incorporated extensive, longstanding and long-term corporate citizenship programmes into regulatory structures and business operations for the benefit of customers and stakeholders.

Our environmental work is conducted in partnership with farmers and other stakeholders, our education programmes provide classroom sessions and school visits, and we welcome people to see water and waste water processes at first hand.

Many of our sites are used by the public for recreation and our investment at coastal sites has improved bathing waters, benefiting tourists and local businesses.

I am proud of the award winning track record we have for customer service excellence – ours is a community business which continues to evolve as customer expectations change and develop.

Customers of tomorrow will require a very different and increasingly digital customer service experience and some may find themselves in vulnerable circumstances.

Service providers need increasingly to tailor services to meet those needs and I am delighted Wessex Water is giving such priority to new programmes that will achieve this.

At Wessex Water our industry leading performance relies heavily on our people, their efforts and skills and the goodwill they demonstrate in providing a professional and quality service to our customers, stakeholders and the environment.

I thank God for His continuous blessings and for our employees who are central to our success in maintaining our reputation as a leading and trusted employer. I look forward to continuing to work in partnership with our stakeholders and communities and thank all our customers for their continuing support.

A handwritten signature in black ink, consisting of a large, stylized 'F' followed by a horizontal line and a small flourish.

Dr Francis Yeoh CBE
Chairman

Chief executive's introduction



Overall performance

Last year was the first of the new five-year price control period. It brought the introduction of a more risk-based framework with a focus on the outcomes that our customers and local communities want.

We have performed well against our performance commitments which are explained in more detail in the Performance at a glance section of this document, and in the separate *Annual performance report* document on our website. We have achieved industry leading customer service and environmental performance.

Average bills reduced by 5% from April 2015 and through our assistance programme, **tap**, we continued to support customers who are financially vulnerable and have difficulty in paying. We are now helping more than 21,000 customers to pay ongoing charges and repay debt, as well as offering additional practical help to reduce water and energy bills.

This year, with the guidance of our expert affordability advisory group, we have introduced a discount of around 20% for pensioners on the lowest incomes who often suffer hardship in silence instead of asking for help.

We are committed to providing the highest quality drinking water to our customers and overall compliance in 2015 was 99.96%. The number of customer contacts we received about acceptability of water reduced significantly, largely because of the beneficial effect of the major mains rehabilitation work we completed in Taunton last year.

Our water supply grid project is making excellent progress and once complete will ensure future demand is met and improve the resilience of supplies to our customers.

Customer excellence

We are a customer centred organisation and believe in putting customers and the communities we serve at the heart of everything we do – our aim is always to achieve the best outcome for them.

We focus on understanding customers' changing needs and responding to the pressures that many continue to be under in these challenging economic times.

We are committed to providing help when and where it's needed most because anyone can find themselves vulnerable at any time through illness, unemployment or simply a change in circumstances like a bereavement or divorce.

When we have problems on our network, such as a burst water main, we are using proactive phone calls and text messages to let customers know what the problem is, what we're doing to resolve it and by when, and this is helping improve satisfaction levels.

Our staff need the right skills, confidence and awareness to deal with often quite complex situations, so we make sure we provide specialist training so they can offer the very best support to customers they talk to or meet in their work.

Investing in the community

As a community business and the largest infrastructure investor in the region, we create more than 1,000 jobs directly in constructing new assets and in the regional supply chain. We continue to invest in greater resilience to climate change and supporting economic growth across our region.

We have made good progress on a £39m programme of work to improve bathing water quality at Burnham-on-Sea and we are investing in a number of very innovative projects, some of which are industry firsts. In the Poole Harbour catchment we are working with farmers to reduce nitrate runoff and leaching into the River Frome in the first nitrogen offsetting trial in the UK.

And our management of nearly 300 hectares of land designated as SSSIs means that the condition of these vital habitats exceeded government targets – 99.5% of our SSSIs were assessed as being in favourable or recovering status.

Innovation and resilience

We must adopt new ways of working and technologies that help improve the services we provide, reduce costs and manage risk. Our employee suggestion scheme, Eureka, rewards ideas that have been put into practice and is also a way of identifying improvements that can be scaled up.

We run a joint research programme with the University of Bath with whom we've launched a water innovation and research centre based at the university. We have continued to push improvements in efficiency and resource use with more than 95% of the waste we generate diverted from landfill, and are increasing the value recovery from waste.

We are tackling the reduction of our carbon footprint. In 2015-16 we completed installation of advanced anaerobic digestion and electricity generation at Trowbridge sewage treatment works and installed a large solar photovoltaic array on the roof of our operations centre in Bath.

The responsibility for flooding of land is often complex and we are encouraging partnership working including three partnership schemes to reduce flooding in Somerset at Cannington, Brent Knoll and Wrington.

Working in partnership

This year we have established a new format for our stakeholder liaison through the Wessex Water Partnership, independently chaired by former water minister Dan Rogerson.

The Partnership will ensure we deliver the commitments in our current five-year plan and provide advice on customer engagement, customer service, affordability and tariffs in preparation for the next business plan.

Our partnerships with debt advice organisations continue to thrive and we remain convinced that holistic advice is needed to help customers to get back on track and into sustainable payment. In 2013 we set up an affordability action plan and this year the take-up of our schemes and low rate tariffs has increased by 19%.

A focus of the past year has been our work in partnership with our supply chain to remove the very variable investment programme that results from a five-year regulatory cycle. This was assisted by Ofwat's 'early start' programme. As a result, the first year of the current AMP (asset management plan) cycle has achieved a stable capital programme with expenditure for the year at £200.8m compared to £198.4m for the last year of the previous AMP cycle.

A responsible employer

We can only deliver excellent service to our customers and communities and value to our investors, through the knowledge and skills of our employees and the quality of the assets that we manage and operate.

We are focused on retaining existing and attracting new skills into the business with a commitment to develop staff to their full potential – through leadership

and management development, apprenticeship programmes and promotion of diversity and inclusion.

This year we continued to develop our apprenticeship programmes to provide young people with career and skill development opportunities, and to build a strong and skilled workforce for the future – we now have some 51 apprentices and trainees within the business.

We have a strong health, safety and welfare culture embedded in our day-to-day activities that targets zero accidents and supports our aim to be a great place to work in which all employees can work safely and reach their full potential.

Financial results

Turnover for 2015-16 decreased to £520.8m and profit after tax was £164.2m. Operating costs decreased by £5.3m to £286.6m and we achieved all our key financial targets in the year.

Dividends were declared in accordance with board policy which at all times is to preserve our investment grade credit ratings and access to new capital.

We continue to maintain a straightforward corporate structure, pay the expected level of corporation and other taxes and are classed by the Inland Revenue as low risk.

Planning for the future

The water industry is approaching fundamental change with moves to greater competition and more use of markets. We support these changes and are at the forefront of helping shape their delivery. The key to their success will be what they deliver for customers.

Our customer service vision is very simple – we aim to deliver the highest levels of customer satisfaction, make it easy for customers to deal with us and to build trust and loyalty.

We are always looking for improvements and have launched a customer excellence programme which includes improved customer systems, community projects, improved communication and shortened response times.

We take pride in being the best company in the water sector, but that is not enough – we aim to be seen by our customers as the best service provider that they deal with and we are committed to driving the investment, skills and culture that enable us to achieve this ambitious aim.



Colin Skellett, Chief executive

Performance at a glance

The recent price review (PR14) saw a shift in regulation from an output focused approach, where companies would have to deliver defined capital schemes and activities, to an outcome focused approach.

We consulted with our customers and worked with customer stakeholder bodies and our customer scrutiny group to develop nine outcomes, with 32 performance commitments (PCs) focused on areas of activity that are important to our customers. Each of these performance commitments has targets confirmed in Ofwat's final determination. For those performance commitments that were of most importance to our customers or that could have the biggest impact on the environment, a financial incentive was applied. We also included a range of performance commitments that were new and are being trialled this AMP and also several that are not totally under our control to deliver; in these cases a reputational incentive was applied.

This is the first year of reporting and the following tables provide a summary of our performance for those

performance commitments that had a target for the year.

The performance commitments that we set are challenging and in some cases the performance is not under our control so it is to be expected that we may miss some of our reputational measures in any given year. So while we have met or exceeded most of our targets for the year, including those that were of most importance to customers including Ofwat's service incentive measure, the Environment Agency's environmental performance assessment and internal sewer flooding for which we have achieved a provisional reward, we have not achieved our targeted performance for five of our reputational measures, as well as abstracting more than we targeted at our Mere source, resulting in a small penalty.

For these measures we have included a reference to the explanation of performance in the tables below. Section 3 of our *Annual performance report* provides a more detailed analysis of our performance and corresponding financial incentives.

Performance commitments CUSTOMERS	Performance level			Target 2015-16	Performance vs target	Page reference
	Five-year average	2014-15	2015-16			
Service incentive mechanism (SIM) customer service score	n/a	-	87.1	>86	Better	
Customers rating service good/very good	97%	96%	96%	>95%	Better	
Customers rating good value for money	65%	65%	78%	71%	Better	
Customers rating ease of resolution	-	79%	81%	Improving trend	Base year	
Accessible communications	-	BS18477 & Customer Service Excellence award gained		Meet best practice	Met	
Bill as a proportion of disposable income	1.55%	1.60%	1.50%	Reducing trend	Same	
Restrictions on water use (hosepipe bans)	0	0	0	0	Same	
Drinking water compliance – Wessex Water assets	n/a	>99.99%	>99.99%	99.98%	Better	
Drinking water compliance – including customer assets		99.97%	99.96%	99.98%	Worse	Page 10
Customer contacts about drinking water quality	3,032	3,006	2,431	2536	Better	
Supply interruptions >3 hours (average minutes lost per property)	31.3	20.1	14.3	21.3	Better	
Leakage (MI/d)	69.2	68.6	68.3	69.3	Better	
Reported leaks fixed within a day	-	-	68%	66%	Better	
Properties supplied by a single source	106,000	91,000	78,000	78,000	Same	
Internal flooding (incidents per 10,000 properties)	1.47	1.15	1.36	1.75	Better	
Flooding risk (combined risk score)	-	50,651	51,509	50,651	Worse	Page 11

Performance commitments ENVIRONMENT	Performance level			Target 2015-16	Performance vs target	Page reference
	Five-year average	2014-15	2015-16			
EA's Environmental Performance Assessment*	AA/IL	AA	IL	IL	Same	
Bathing water compliance	-	98%	98%	100%	Worse	Page 17
Improved bathing waters – schemes delivered	-	-	100%	100%	Same	
Monitoring of sewer combined overflows	-	39%	46%	40%	Better	
Compliance with abstraction licences	100%	100%	100%	100%	Same	
Abstractions at Mere exported (MI)	421	88	172	100	Worse	Page 18
Land actively managed for biodiversity	-	47%	63%	60%	Same	
Greenhouse gas emissions (kt CO ₂ e)	152	148	138	133	Worse	Page 21
Proportion of energy self-generated	18%	18%	25%	21%	Better	
Volume of water used per person (l/p/d)	140	138	138	135	Worse	Page 21
Volume of water saved by water efficiency promotion (l/p/d)	0.48	0.48	0.68	0.57	Better	
Water mains bursts (number)	1796	1892	1663	<1993	Better	
Sewer network collapses and bursts (number)	271	270	271	<300	Better	

* IL = Industry leading.

* AA = Above average.

Updated December 2019

The following sections of the report provide an explanation of the activities we have carried out during the year. For a more detailed explanation of the performance commitments and the financial implications of this first year's performance, refer to section three of the *Annual performance report*.

-  Affordable bills
-  Excellent service for customers
-  Reduced leakage
-  Highest quality drinking water
-  Improved bathing waters
-  Rivers, lakes and estuaries protected
-  Sewage flooding minimised
-  Resilient services
-  Reduced carbon footprint



Customers and communities

Customers and the communities we serve are at the heart of everything we do and our aim is always to achieve the best outcome for them.

Our customer service vision is very simple. We aim to deliver the highest levels of customer satisfaction, make it easy for customers to deal with us and ultimately build trust and loyalty.

We achieve our customer service vision by delivering what customers say is really important to them:

- excellent and reliable water and sewerage services at a price they can afford
- choice in the way they can communicate and interact with us
- a real person to answer the telephone
- resolving problems quickly and first time
- keeping them informed at all times
- checking they are happy with the outcome if they have a problem
- compensating where things go wrong.

We encourage our staff to go the extra mile (GEM) whenever they can.

We remain the top performer in the water sector for customer service. In the first year of the new look service incentive mechanism (SIM) we have come top of all water and sewerage companies in the satisfaction surveys, showing that however customer service is measured, we continue to be the best.

But we can't stand still. Customer expectations continue to rise and we know that young people

today, who will be our customers of tomorrow, will want a very different and increasingly digital customer service experience.

Similarly, we recognise that customers can very often find themselves in vulnerable circumstances for a short or long period of time, so we need increasingly to tailor our service so that we always meet their needs.

Although we take pride in being top of the water sector, our ambition is to be the 'best of the best' and to become a household name for excellent customer service.

To do this we are embarking on a customer excellence programme which includes more than 20 individual projects, ranging from improved customer systems, signage and community projects, to improved communication and shortened response times.

To make sure we get this right we have introduced measures, like net promoter score, that compare us to the best service providers outside the utility sector. And we've become a member of the Institute of Customer Service so we can benchmark ourselves against the UK Customer Service Index.

In brief

- Once again reduced the number of complaints we received – the fewest of any water and sewerage company.
- Topped the water and sewerage company league table in Ofwat's SIM satisfaction surveys.
- Retained our government Customer Service Excellence award.
- Launched the Wessex Water Partnership and Catchment Panel, our new stakeholder groups which will hold us to account for our performance.
- Introduced a 20% discount for low income pensioners as part of our **tap** programme to ease their household budgets.
- Continued to make progress on our affordability action plan, leading to a 19% increase in the number of low income customers receiving support with their bills.
- Launched two new projects with the Department for Work and Pensions (DWP) and Wiltshire Council to directly promote our discounted tariffs to customers on means tested benefits.
- Demonstrated our commitment to accessible and inclusive services for all by retaining the British Standard for inclusive services provision (BS 18477) and the Louder than Words charter mark.

In detail

Our service delivery and investment plans focus on our outcomes, resulting from our consultations with customers and other stakeholders.

Reduced leakage

Our leakage strategy has successfully reduced leakage to 68.3 MI/d, below the agreed target of 69.3MI/d.

We plan to operate below target in normal years to maintain a buffer in case severe winter weather causes additional leakage. This year we have planned an enhanced metering programme and a pressure management optimisation project, with the aim of further leakage reduction so we can meet our ambitious target by 2020.

Our target to fix significant leaks on the network reported to us by customers has been met, mainly by improving existing processes and procedures.

Highest quality drinking water

We are committed to providing the highest quality drinking water to our customers.

Our overall compliance with drinking water standards in 2015 was 99.96%. This is marginally below our long-term performance.

This is based on the mean zonal compliance for 39 parameters out of approximately 37,000 tests carried out across 88 zones. The calculation is very sensitive to individual failures. In 2015 there were 15 failures of which only two were related to our operations; from a cast iron water main and a tap at a treatment unit that was not representative of the water supplied.

The other 13 are attributed to domestic plumbing and service pipe issues such as lead service pipes, nickel in taps and taste due to water softeners.

There was a significant reduction in the number of customer contacts about acceptability of water received during the year which is largely related to the beneficial effect of the major mains rehabilitation works we completed in Taunton.

We are seeing a downward trend in the number of contacts received and expect this to continue as we invest in our assets and find new ways of communicating with customers.

During the year we have made significant investment at service reservoirs and treatment works which will improve water quality and protect supplies.

Sewage flooding minimised

Sewage flooding is rare but when it does occur it can be devastating so tackling it remains a key objective. We have introduced a new performance



**We are
committed to
providing the
highest quality
drinking water**

commitment which measures the overall flood risk due to inadequate capacity (potentially causing internal or external flooding).

This year we have invested £8m to reduce the risk of flooding at 91 properties or locations. Due to a third party delay one of our projects will finish early in 2016-17, so while we narrowly missed the target for the year, we remain on track to achieve the target in future years.

With regard to internal flooding due to blockages in public sewers, the position for the year is better than our performance commitment, at 1.36 incidents per 10,000 properties. This is the result of continued operational improvements and the generally benign weather conditions in the region last winter.

The responsibility for flooding is often complex and we work with local authorities as they produce surface water management plans and strategies to review flood management.

There has been a significant change in the number and frequency of liaison meetings and, together with the planning authorities responsible for approving sustainable solutions, we are being consulted more than before. We have contributed towards three partnership schemes to reduce flooding in Somerset at Cannington, Brent Knoll and Wrington.

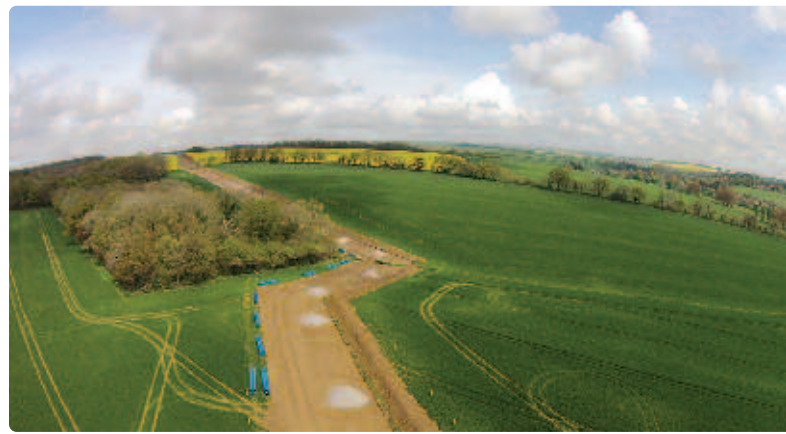
We are preparing for the transfer of private pumping stations to us in October 2016, we are undertaking sample surveys of these assets and have adopted some early where they are causing problems. The latest assessment is that almost 400 pumping stations will be transferred.

Resilient services

Our asset management framework continues to help us develop a more integrated approach to risk and investment decision making. We are certified to the international standard for asset management, ISO55001:2014.

We began work on our major integrated supply grid project in 2010 and it is due to be completed in 2018. Delivery of the project continues to make excellent progress and once complete, it will enable us to:

- reduce abstractions from sensitive groundwater sources as agreed with the Environment Agency
- move water more effectively around our region
- ensure future demand is met
- improve the resilience of supplies to customers.



Section of the grid project during construction and as completed.

Key sections of the project commissioned and put into service during 2015-16 include:

- new storage tanks at Summerslade (near Warminster) and Littledown (Shaftesbury) and the pumping station at Monkton Deverill (near Warminster), together with all the interconnecting pipelines
- Sturminster Marshall (east Dorset) pumping station and the new storage tank at Snowsdown (Blandford) and the pipelines between the sites.

Together with other related schemes this work has enabled us to meet our commitment to reduce the number of properties supplied by a single source by 28,000.

Mechanical and electrical installation is well under way at Codford and substantial progress has been made on the schemes around Salisbury and in Dorset.

The overarching control system for the grid, called the Optimiser, has been successfully proved on sections of the project that went live this year. The project is on track for completion in 2018.

Good progress has been made with our infiltration reduction plans to reduce the risk of groundwater entering public and private sewers and drains. We inspected more than 107 km of sewers and permanently sealed 4.2 km of them in 2015-16.

Customer service

This was the first year of the new look service incentive mechanism and, once again, we topped the water and sewerage companies' league table for satisfaction surveys.

Complaints also fell again this year, by 19%, and in September the Consumer Council for Water confirmed that we continue to have the lowest number of complaints in the water industry.

We give customers the opportunity to feed back on our service using whatever communication channel they choose and encourage them to identify staff who have 'gone the extra mile'. Under the guidance of our customer experience group we use this feedback for continuous improvement of policies, processes and training.

The feedback shows that 96% of our customers rate our service as very good or good. This is slightly below the long-term average and we continue to work hard to improve the services received by our customers. Both value for money and customer effort scores have improved with 78% of customers rating our service as very good or good value for money and 81% saying it takes little or no effort to resolve their query.

It's important that we continue to evolve and improve our service offering so day to day we are widening our use of alternative communication channels while remaining committed to offering personal telephone answering and, most importantly, choice for our customers.

We are seeing a growing number opting for self-service, text messaging and Live Chat and are providing more opportunities for them to send us information using media such as photographs.

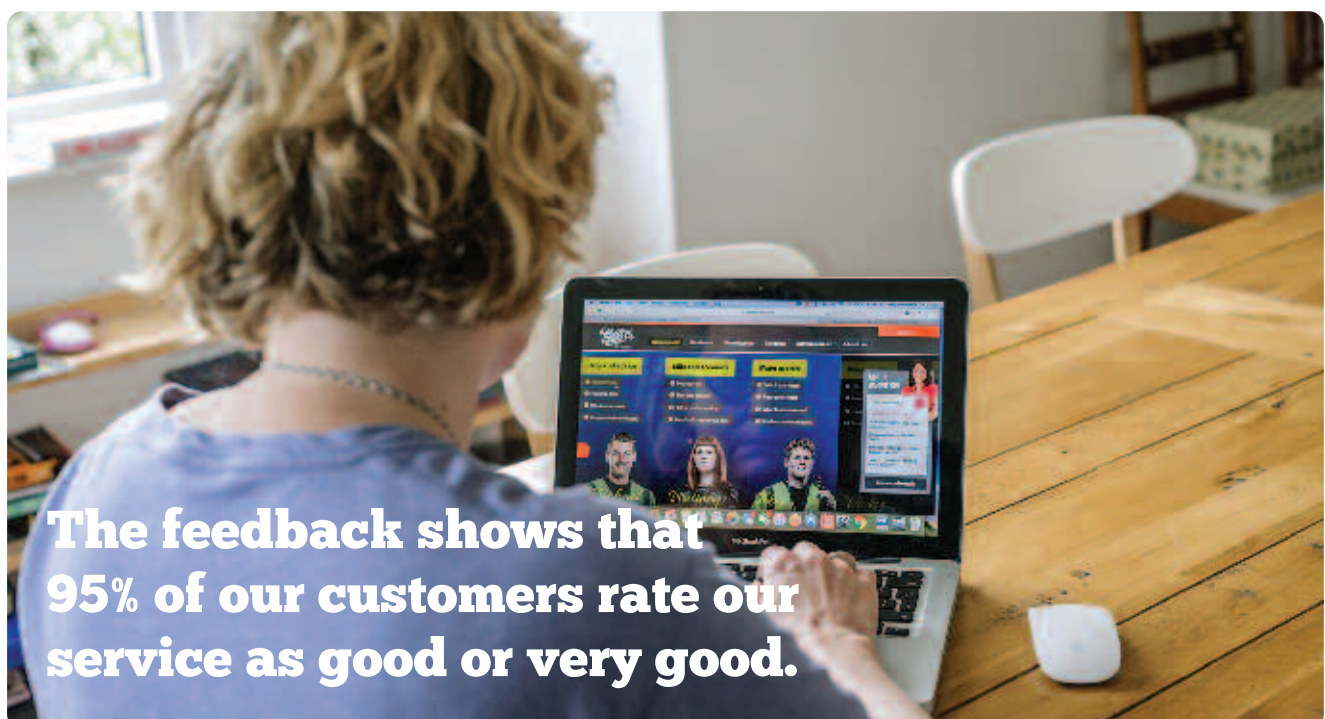
Keeping customers informed when we have problems on our network, such as a burst water main, or when we are fixing a problem at their own home or premises, remains one of our key challenges.

Proactive phone calls or text messages from our dedicated customer care team have proved an effective way to let customers know what the problem is, what we're doing to resolve it and by when, and they are helping to drive our satisfaction levels up. The team oversees the whole customer journey and keeps it on track.

This year we re-launched both our Wessex Water Promise and our household leakage policy following feedback from our online customer panel, Have your say. Both are now closer to customers' expectations and easier to understand.

We've also redesigned both our bills and the information we provide with our bills, removing unnecessary duplication and making them easier to follow, because it's essential that customers understand what they are paying for.

Our customer relations staff have been through a new training programme on adopting a more conversational style of writing, designed to make our replies to queries and complaints simpler, easier to understand, more personalised and overall more engaging.



We retained our government Customer Service Excellence award for our approach to customer service and have the best overall package of customer guarantees in the industry. We continue to hold the best practice mark of distinction from the Keep me Posted campaign.

Customer engagement

We engage extensively with our customers and stakeholders, both in our day to day business and for specific programmes of work, such as preparation of our five-yearly business plan.

For the business plan covering the five years from April 2015 to March 2020, we consulted more than 24,000 customers and 90 stakeholders. At the centre of this was the customer scrutiny group which brought together a range of stakeholders to scrutinise our business plan proposals and ensure they truly reflected customers' aspirations for service improvements and ability to pay.

In the last year we have established a new format for our stakeholder liaison for the next five years and in preparation for the 2020-2025 business plan.

The Wessex Water Partnership, independently chaired by Dan Rogerson who was previously water minister in the coalition government, is the successor body to the customer scrutiny group.

It held its inaugural meeting in January 2016 and will meet three to four times each year. It will be supported by our new, independently chaired, catchment and futures panels.

We have already developed an engagement strategy for the next business plan – called Your Say, Your Future. We intend to maximise the use of our everyday or continuous engagement with customers, and to carry out specific research projects at key points in the business plan timetable. For instance, developing and testing acceptability of our 25-year vision, currently under way, and our five-year business plan.



We continue to use our Have your say panel to improve our service offering and this year sought its views on:

- the way we communicate with customers if they have a billing query
- our wider information provision and communication channels
- our new home water and energy check service.

We follow up each survey with a newsletter to participants explaining the findings and what we are doing as a result.

Customers in vulnerable circumstances

In February this year Ofwat published its vulnerability focus report and practitioners pack for water companies. We featured heavily in the report for offering best practice in this area.

Anyone can find themselves vulnerable at any time due to illness, unemployment or simply a change in circumstances like a bereavement or divorce. Because our customers are our priority, we are committed to providing help when and where it's most needed.

We pride ourselves on treating customers as individuals and tailoring our customer care and customer service to suit their needs, making sure we are inclusive and accessible to all. This commitment is demonstrated in our retention of the British Standard for inclusive services provision (BS 18477) and the Louder than Words charter mark.

We have made sure staff have the right skills, confidence and awareness to deal with often quite complex situations and strengthened this with specialist training, such as GEM and mental health awareness, so they can offer appropriate support to customers they talk to or meet in their work.

We hold registers of customers with longer term disabilities or additional needs and, as they are likely to need the same support from their energy provider, we are doing all we can to signpost customers to other utilities.

Through our assistance programme, **tap**, we continue to support those who are financially vulnerable. We are now helping more than 21,000 customers to pay ongoing charges and repay debt, while offering practical help to reduce water and energy bills.

Around 10,000 customers are in receipt of our main social tariff, Assist, which offers discounts of up to 90% off water charges for those in the greatest financial hardship.

And we're not standing still – this year, under the guidance of our expert affordability advisory group, we've introduced a discount of around 20% for pensioners on the lowest incomes who will often suffer hardship in silence instead of asking for help.

Our partnerships with the debt advice community continue to thrive and we remain strongly of the view that holistic advice is vital to help customers to get back on track and into sustainable payment. It's never just about water debt.

Our affordability action plan has been in place since autumn 2013 and we continue to see an increase in the take-up of our schemes and low rate tariffs. The numbers have increased by 19% over this year.

We are liaising with a growing number of community based organisations outside the debt advice arena to help us engage with customers who are traditionally much harder to reach and likely to be some of the most vulnerable.

Using geographical mapping of deprivation levels and social tariff penetration we've been able to better target our promotional work on areas of most need.

We have also launched two new projects, one with the Department for Work and Pensions and the other with Wiltshire Council. In both cases the organisations will be contacting customers on means tested benefits on our behalf to promote our **tap** programme.

We continue to support financial capability and money management projects in our communities, funding a further four this year through our Money Matters awards.

The four projects involve offenders due to leave prison, the over 60s, secondary school children and under 30s, including young families and those with mental health issues.

Preparing for retail market opening

From April 2017 all non-household customers will be able to choose their retailer for water services.

This is a new challenge for the sector and a new opportunity for us, and we need to be ready to operate effectively and compliantly in this new market.

We are in a good starting place with our retail unit costs among the lowest in the industry and our levels of service among the highest, achieved in large part through Water2Business, our joint venture with Bristol Water.

We have made good progress and are on course to operate in the shadow market – a form of practice run to test market readiness – that is due to begin in October 2016.

Water2Business's preparations are focused on ensuring that we meet customers' retail service needs in and out of our existing area of supply so that we can maximise the opportunities to grow our business.

Our wholesale readiness programme is being delivered emphasising that we expect to fully comply with our market obligations through the provision of excellent services to both water consumers and retailers.

Education and water saving

We help customers of all ages to conserve water and prevent blockages in sewers.

Over the last year we have taken our Be Smart love your loo campaign to shows and festivals across our region, including Bristol Harbour Festival.

And our Be Smart save water campaign went to the Royal Bath and West Show at Shepton Mallet and Yeovilton Air Day.

We included information in our bi-annual customer magazine and a range of other leaflets about free water saving devices from our online shop and tips for saving water in the home and garden.

Our three education advisers continued their comprehensive coverage of Bristol, Bath, Somerset, Wiltshire, South Gloucestershire and Dorset.

This year they visited schools, teaching topics ranging from the water cycle to what happens to waste once it has been flushed down the toilet, to students of all ages and community groups.

And they welcomed students to the eight education centres across our region.

During the last year almost 29,451 students benefited from school visits and trips to water and sewage treatment works.



The education advisers also complement our apprenticeship programmes through their interaction and engagement with schools, supporting our mission to highlight career choices. This year we introduced a new initiative with schools to provide a water efficiency audit and help them reduce any waste that was identified. This has saved 80,000 litres of water a day.

Watermark awards

Our Watermark awards continue to support organisations across our region with their environmental projects.

Organisations receiving an award over the last year include the Greater Bedminster Front Garden awards in Bristol.

We provided a grant so organisers can promote sustainable gardening by sharing ways to save water and to use drought tolerant plants.



Environment

We aim to provide high quality, sustainable water and environmental services, while protecting and improving the environment.



Resources and services provided by the environment are central to our work and we take care to minimise our impacts on water, land, the atmosphere and biodiversity.

Our region has many of the country's finest rivers and streams, and we are focused on working with other stakeholders in continuing to protect and improve their condition. We have reduced water abstraction, in part by cutting leakage and managing customer demand and working with communities where there is concern about local impacts of abstraction. We have upgraded sewage treatment to avoid adverse impacts from contaminants such as ammonia and excessive nutrients. We have reduced the number of pollution incidents from our sewers, usually caused by blockages, and work with the Environment Agency and local councils to address water pollution caused by misconnected domestic plumbing.

In addition, we are fortunate that the Wessex Water area is rich in wildlife and has a large number of areas

protected by international and national designations. We take our duties seriously and are actively reviewing our landholding and integrating this information with our geographic information system to develop land management plans to improve biodiversity. All projects within our capital investment programme are subject to detailed environmental screening to avoid harming wildlife. We also offer grants to wildlife organisations under our biodiversity action plan partners' programme, which in part is helping to further our catchment management objectives.

Collaboration and innovation underpin our significant early progress against our challenging environmental outcomes. This has resulted in our industry leading performance.

In brief

- Industry leading performer according to the Environment Agency's annual Environmental Performance Assessment.
- 100% compliance with abstraction licences.
- 100% compliance with sewage discharge consents (sanitary standards) and 99.97% compliance with all standards.
- 100% compliance with sludge standards.
- No prosecutions.
- Began delivery of the National Environment Programme.
- Continued Frome and Piddle catchment initiative – a Defra sponsored collaborative project to test the catchment based approach.
- Agreed with the Environment Agency the approach to a catchment-wide permitting system for phosphorous removal at our sewage treatment works in the Bristol Avon river catchment.

In detail

Improved bathing waters

Prior to the revised Bathing Water Directive taking effect in 2015, we had identified Burnham Jetty as the only bathing water within our region that would fail to meet the 'satisfactory' standard due to the directive's change of classification and tightening of standards.

The failure at Burnham Jetty as a result of this tightening, rather than any underlying deterioration in water quality, is why our performance commitment for beaches passing EU bathing standards is reported as 98% against our target of 100%.

Outputs from the National Environmental Programme, which we completed during the year

thereby achieving 100% performance against target to deliver agreed schemes, include:

- screening an overflow at East Quay in Bridgwater
- installation of 91 event duration monitors
- building an ultraviolet disinfection plant to treat overflows from our storm tanks at Highbridge.

We are active participants in a multi-agency group comprising the Environment Agency, local authority, internal drainage board, catchment sensitive farming team and others to ensure all parties are co-ordinated to deliver water quality improvements.

We are supporting a coastal engagement officer who is working with communities in Burnham to raise awareness of water quality and increase ownership of their beach. This includes campaigns on sewer misuse, dog fouling and beach litter.

Rivers, lakes and estuaries protected

Our programme for this asset management plan period (AMP6) includes the reduction of phosphorus concentration in discharges at 47 sewage treatment works.

During the year our in-house engineering team completed outline design on the first group of these schemes – a standardised, modular approach will be adopted, wherever practicable, to ensure procurement and construction is as efficient as possible.

As part of this programme we have been working with the Environment Agency to develop a catchment-wide permitting system for phosphorus at our sewage treatment works in the Bristol Avon river catchment.

This is an innovative form of permitting which, by assessing the performance of a group of sewage treatment works as a whole, enables a different approach to risk, and delivers greater environmental improvement at a lower overall cost.

During the year we agreed the form of this permit and associated regulatory position statements with the Environment Agency. Work has started on monitoring the 64 sewage treatment works involved.



The agency's National Environment Programme also includes a series of phosphorus technology trials designed to test the performance of new processes to meet future, more stringent concentrations required by the EU Water Framework Directive.

We have completed construction and commissioning of four full-scale trials, including a magnetite assisted settlement process (BioMag), absorptive media (steel slag reed beds) and stretching existing chemical dosing performance on tertiary sand filters and activated sludge plants.

Under this programme we are working with the University of Bath to develop a high-rate algal pond for the removal of phosphorus from sewage effluent.

In addition, design work has begun on eight sewage treatment works which require improved ammonia removal.

Water resources

During 2015-16 we had relatively average weather, with 106% of average rainfall across the region. However, there was a distinct seasonal pattern with above average rainfall between January and March and drier than average conditions in the spring and autumn. As a result, groundwater levels were lower than average for most of the year.

This rainfall pattern was also reflected in river flows, with the timing for the start of stream support and flow-led licence restrictions coming earlier in the year than is typical and lasting late into the autumn.

Reservoir storage remained high throughout the year with storage, excluding Wimbleball reservoir, hitting 67% at its lowest point, similar to 2014-15.

A number of minor licence changes came into effect on 1 April 2015; more significant changes will be applied from 1 April 2018 in Warminster and Salisbury zones, and our water supply grid project is on track to assist with meeting demands in these areas.

The implementation of our performance measure to limit abstractions at our Mere source has already seen significant reductions in output. The site has only been used as a backup when other sites have been unavailable and where it would be non-cost beneficial to go to another supply. For the year we used 172MI against a target of 100MI. We anticipate this performance improving later in the AMP once the supply grid is commissioned.



Catchment services

Catchment services have continued in 15 high groundwater catchments and five surface reservoirs to tackle pesticide and nutrient issues. The task is to improve raw water quality without having to install additional treatment.

Our experience is that farmers remain willing to engage with our advisers in the majority of cases and the advisers' reputation within the wider agricultural community remains very high. We are currently working with 51 different farmers covering a total of approximately 40,000 hectares.

Nitrate concentrations rose last winter and, at our highest risk sites, Deans Farm and Fonthill Bishop, blending was needed to maintain compliance. However, nitrate concentrations were not as high as previous winters and improvements in nitrate trends at many sites have continued.

There were no pesticide failures at any of our high risk reservoirs and catchment work continues to secure and maintain these improvements.

Our work to control pesticides, metaldehyde in particular, remains industry leading. The voluntary 'no use' approach that we have championed appears to be the only way to successfully avoid metaldehyde reaching rivers and reservoirs.

Catchment management in the Poole Harbour catchment, with the aim of offsetting the need for nitrogen removal at Dorchester sewage treatment works, has successfully reduced nitrogen to date across the target area by approximately 20 tonnes against a 2020 target of 40 tonnes.

A new trading platform, EnTrade, will be trialled later in 2016 as an innovative alternative to directly approaching farmers for the funding of cover crops to manage soil quality and fertiliser calibrations.

This is intended to provide an online, reverse auction platform that farmers can bid into for growing cover crops this coming winter. Once the 'proof of concept' trials are complete, we intend to roll this out to a wider set of parameters and issues.



Environmental investigations

We believe investment should be based on sound scientific evidence; by gathering data through investigations we can better understand our impacts and trial solutions.

In AMP6, we will be delivering 40 environmental investigations covering a range of issues including:

- the occurrence and removal of hazardous and emerging substances from sewage effluent
- trialling new, sustainable treatment solutions for phosphorus removal
- understanding the ecological impact of our reservoirs and abstractions
- understanding the impact of our sewage treatment works on the nutrient levels within rivers, compared to other sources, at a catchment scale.

We have started our investigation programme for AMP6 and are including a number of leading edge projects, some of which are industry firsts.

These projects will support our proposals for AMP7 to deliver the most cost effective and sustainable solutions for our customers with the best environmental results.

Wildlife and conservation

We have surveyed our key conservation sites extensively over the last five years, making changes to their management for biodiversity.

So far, most of our holdings above 10 hectares have been surveyed, amounting to just over 60% of our land area, achieving our performance commitment for the year.

Our management of nearly 300 hectares of land designated as a SSSI ensured that the condition of these vital habitats exceeded government targets; 99.5% of our SSSIs were assessed as being in favourable or unfavourable but recovering status. In 2015, we appointed a part-time conservation, access and recreation (CAR) officer to help improve these elements of our landholding for the public. The role is to oversee and co-ordinate CAR projects at some of our largest and most visited sites, and those of greatest importance for wildlife and heritage.



To date this has included:

- an assessment and improvement plan for the children's play area at Sutton Bingham
- investigating alternative public rights of way at Tucking Mill reservoir
- improvements to the bird hide at Bleadon Levels nature reserve
- evaluating a number of further projects for delivery over the next four years.

We will continue to support wildlife projects funded by our Biodiversity Action Plan Partners Programme up to £80,000 per year and will be supporting the following projects between 2015 and 2020:

- South Wiltshire Farmland Bird project – Cranborne Chase AONB
- Dorset Wild Rivers – Dorset Wildlife Trust
- Wessex Chalk Streams project – Wiltshire Wildlife Trust
- restoring coastal and floodplain grazing marsh in the North Somerset Levels – AvonWildlife Trust.

Reduced carbon footprint

As one of our performance commitments our net greenhouse gas emissions fell to 138 kilotonnes carbon dioxide equivalent in 2015-16 – our lowest since 1999-2000 but still higher than our target of 133. Our emissions are highly sensitive to the carbon intensity of grid electricity; if the carbon intensity had remained at the level forecast in the business plan, our emissions would be better than the target for the year. This reflects the combined effect of the work set out below and the lower carbon dioxide intensity of UK grid electricity compared with 2014-15.

One of our long-term sustainability goals is to be carbon neutral in our operations. To do this we need to avoid energy use where possible, improve efficiency and increase renewable energy generation.

While electricity use increased between 1990 and 2010, mainly due to tighter sewage treatment standards, we have now halted this trend, largely through concerted energy efficiency work. This is supported by detailed consumption information, analysed through our energy data hub, that reveals sites using too much electricity and in turn helps focus corrective measures.

This year we trialled Open Energi's dynamic demand system at Ham sewage treatment works; this involves instantaneous, temporary adjustment of the site's energy use to maintain a balance on the local electricity grid.

Water management measures such as leakage reductions and catchment management also help avoid unnecessary energy use.

During 2015-16 we completed the installation of advanced anaerobic digestion and associated electricity generation at Trowbridge sewage treatment works. This facility is expected to generate just under seven gigawatt hours of renewable electricity per annum.

Meanwhile, we have installed a 250 kilowatt solar photovoltaic array on the roof of our Bath operations centre which is forecast to supply around 12% of the building's annual electricity demand. Overall we achieved the target of 21% of our energy provided by self-generation.

Our operating division GENeco was a category winner in several awards during the year for schemes such as food waste digestion, gas to grid and the Bio-bus.



These included the Guardian Sustainable Business awards, the UK AD and Biogas Industry awards, the National Recycling awards, the Energy awards, the Low Carbon Vehicle Champion awards, the National Sustainable City awards, the Chartered Institution of Wastes Management awards, and the South West Built Environment awards.

Reducing demand for water

In 2015-16 we narrowly missed our performance commitment daily consumption of water per person per day. Consumption was maintained at 138 l/p/day (same as in 2014-15) against a target for this year of 135. We attribute being higher than target this year to better than average summer weather, falling water and other utility prices and a return to growth in real incomes.

Ofwat recognises the potential impact of these external factors and actual performance is well within the range that Ofwat have allowed for this. We will continue with our initiatives to promote water efficiency with customers where this year we have exceeded the performance commitment target agreed with Ofwat.

Innovation

It is essential that we are able to adopt new ways of working and technologies that help improve the services we provide, reduce costs and manage risk.

Environmental investigations are carried out to ensure that future capital investment is well-focused. Some of the investigations employ innovative methods and examples from 2015-16 include the following:

- using a biological tracer to establish whether final effluent from Wick St Lawrence sewage treatment works can be found at Sand Bay and Clevedon bathing waters in Somerset
- installing an observation borehole at Compton Durville, Somerset, with vibrating wire piezometers to obtain better detail about groundwater flows
- using magnetite (inert iron oxide) at Bowerhill, Wiltshire, to improve settlement and increase phosphorus removal
- with the University of Bath, trialling high-rate algal ponds at Beckington near Frome – also for phosphorus removal
- controlled release of spate flows downstream of Durleigh, Somerset, reservoir to remobilise phytoplankton that were having an adverse ecological effect in the stream
- monitoring the success of catchment permitting in the Bristol Avon.

Our Eureka programme rewards staff who have proposed projects that save money, improve service to customers, reduce risk and improve our working methods in general.

The most successful ideas in 2015-16 included:

- a central database which documents faults or symptoms and gives possible solutions
- insulation of chemical storage tanks to maintain the life of the chemicals and reduce the run-time of pumps
- installation of variable speed drives for blowers at a sewage treatment works
- a novel reworking of a spindle on a valve to improve the ease and safety of maintenance.

We also carry out trials of new products and technology developed by other companies and in the last year these have included:

- waxed hibernation epoxy resin liners which can be used in larger diameter sewers
- manhole sealing in Minehead with polymer modified grouts to prevent saltwater infiltration into sewers
- use of ultrasound to prevent the growth of cyanobacteria in Luxhay reservoir in Somerset
- on-site calibration of water pressure gauges and monitors, reducing the journeys previously involved in bringing them to a single location for recalibration.

Our joint research programme with the University of Bath continued during 2015-16. The main themes are low energy nutrient recovery from sewage; methods for increasing biogas from sewage sludge digesters; emerging pollutants in waste water; and improved techniques for understanding and comparing the whole life costs of water management.

The university's Water Innovation Research Centre, formed in 2014-15 with our assistance, appointed a director and a lecturer in water science and engineering.

And we continue to host one-year industrial placement students from the university who have assisted with energy management, drinking water compliance monitoring and assessment of techniques to lower phosphorus levels in sewage effluent.

A landscape photograph showing a calm body of water in the foreground, reflecting the sky and a line of trees in the background. The sky is filled with large, white and grey clouds, with patches of blue visible. The trees are mostly bare, suggesting a cooler season. The reflection in the water is very clear, creating a mirror image of the scene above.

Environmental investigations are carried out to ensure that future capital investment is well-focused.

Employees

Our industry leading performance relies heavily on our staff, their efforts and skills and the goodwill they demonstrate in providing a professional and quality service to our customers, stakeholders and the environment.



Our employees are central to our success and to maintaining our reputation as a leading and trusted employer.

We seek to provide opportunities for our employees to develop, both personally and professionally, equipping them with the skills and expertise they need to be successful in everything they do. In return, they provide an outstanding level of service and performance to our customers, the company and to each other.

This year we have focused heavily on developing our apprenticeship programmes to provide young people with career and skill development opportunities and to build a strong and skilled workforce for the future. Appointing apprentices and expanding our programmes ensure that talent is retained and secures our stability.

This year there has been a significant expansion in our apprenticeship programmes. There are currently 41 apprenticeship roles and we will shortly recruit our 100th modern apprentice. Eleven apprentices have graduated from training and secured permanent positions within the business.

New apprenticeship schemes have been created in finance, information services and property searches, with a water systems apprentice on a brand new

training programme. These apprentices complement existing ones in engineering and construction, our laboratory, customer service and operations. We also launched our first ever higher level apprenticeship in engineering and construction.

Promoting diversity and inclusion in our workplace has been a key focus again this year. We recognise that differences in personal characteristics bring richness to our work environment and believe that attracting, developing and retaining employees who reflect the diversity of our customers is essential to our continued success.

We have put in place a range of diversity initiatives including those focused around flexible working, flexible retirement and job share contracts. We have joined the business disability forum to continue our focus on providing all our employees, including those with disabilities, with career development opportunities.

Protecting the health, safety and welfare of our staff, contractors and customers remains the highest priority.

In brief

- We continue to have a strong and engaging culture.
- We ran leadership development programmes – two-day development centres for high potential employees, Institute of Leadership and Management level 5 programme and Chartered Management Institute level 7 extended diploma in strategic leadership.
- An average of 2.5 days development training a year for all staff.
- Excellent retention rate of apprentices.
- 41 new apprentice roles created, more than doubling our investment in apprentices.
- Continued development of diversity initiatives and reporting of our diversity scorecard.
- Excellent safety performance with continued focus on behavioural safety and near miss reporting.
- Continued focus on supporting employees with professional development through a range of professional and chartered institutes.
- A revised health, safety and welfare strategy ensuring we deliver continuous improvement and best practice over the next five years.
- Received health and safety awards from the British Safety Council (international safety award) and the Royal Society for the Prevention of Accidents (gold safety award).

In detail

Training

We pride ourselves on the standard and level of learning and development opportunities provided to staff to ensure they have the skills they need to perform their jobs to the highest standards. We promote and encourage progression and ensure that all those looking to build a career with us have the opportunity to do so at a level and pace that suits both them and the company.

Current and future management and leadership continues to be a priority and along with our accredited level 5 and level 7 management and leadership programmes, we ran a range of management development schemes aimed at supporting our leaders from new manager to senior management level.

We have again held two-day development centres for nominated high potential employees, providing them with routes to further their career development.

On average we delivered 2.5 days training for each member of staff per year. The majority of our training schemes are health and safety, technical and craft programmes ensuring our people are highly skilled and competent, keeping themselves, their colleagues and our customers safe at all times.

Apprentices

Developing a long-term apprenticeship strategy to secure quality apprenticeship training is fundamental to our recruitment and development processes.

In March 2016, to coincide with National Apprenticeship Week, we held our successful inaugural apprenticeship open day. It was our biggest ever apprenticeship drive. More than 120 potential apprentices visited our operations centre accompanied by guests and parents. Feedback from young people, parents and staff was overwhelmingly positive:

“I just wanted to email you to say you were brilliant on Saturday, my children were very impressed and my 12-year-old daughter now wants to be a civil engineer!! The day did exactly what I wanted it to do for them, which was to open their minds up to all the possibilities that are out there.”

Complementing our apprenticeship programmes is our education team. Interacting and engaging with schools supports our mission to highlight career choices and encourage non-traditional employment routes.



We work closely with our leading apprenticeship providers to support local women into engineering and construction campaigns, and ensure our vacancies are promoted to all types of young people across our entire region.

We continue to develop new apprenticeship programmes with the objective of providing young people with career and skill development opportunities and building a strong and skilled workforce for the future. Appointing apprentices and expanding our programmes ensures that talent is retained and secures business stability.

We continue to support staff to complete professional development through a range of accredited professional development bodies relevant to our industry. We currently have 30 employees undertaking study to achieve professional qualifications.

Diversity

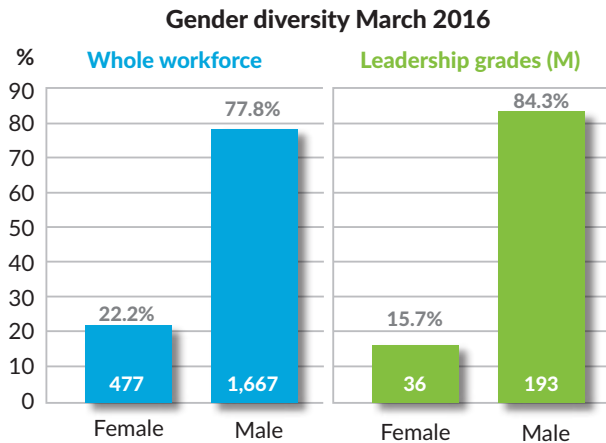
We value the differences that a diverse workforce brings and are committed to creating an inclusive workplace for all employees and others who work with the company as suppliers, contractors, consultants or customers.

Promoting diversity and inclusion has been a key focus again this year. We have implemented a range of diversity initiatives including the promotion of flexible working policies, the introduction of job share contracts and flexible retirement for those wishing to ease their way into it.

We have developed and piloted a new aspiring leaders development programme aimed at building confidence in potential leaders of the future. This year, we became a member of the Business Disability Forum and we continue to progress issues for our employees with disabilities.

Diversity scorecard

In March 2016 there were 2,144 employees, of whom 477 are women and 1,667 are men. There are 11 directors, of whom eight are men and three are women, and 40 senior managers of whom eight are women and 32 are men.



Culture

We have a strong, friendly and positive culture and staff enjoy working for the company and with each other. We held a staff survey this year and our employees are highly engaged, with 83% rating Wessex Water a good place to work.

We have launched a new employee appraisal scheme which measures both the performance outcomes that have been achieved and the behaviours that have been demonstrated. Behaviours are assessed against our BEST values of behaviours, excellence, service and teamwork in the way we work and behave with each other, our customers and all our stakeholders.

Health and safety

The potential hazards faced by our industry require the highest standards of health and safety and we are committed to protecting our staff and everyone affected by our operations.

As a responsible employer it is clear to us that the management of health and safety is critical to our success, particularly as we seek to adopt even better ways of delivering services to our customers.

No activity can be totally without risk and we must ensure that our operations are carried out in such a manner as to remove unnecessary risk, and control and manage any residual risk to prevent injury or harm. Where risk cannot be managed and safety assured then work must stop until a safe solution can be found.

Protecting the health, safety and welfare of our staff, contractors and customers remains an established and shared responsibility that is essential to our reputation as a leading and trusted employer.

We continue to develop and embed a strong health, safety and welfare culture in our day to day operations that targets zero accidents and supports our aim to be a great place to work in which all employees can work safely and reach their full potential.

We monitor all accidents and incidents reported by employees and, in particular, attention is paid to:

- the annual numbers of total and reportable incidents
- the areas of the company from which these arise
- the proportion of these that fall under each RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) accident category
- days lost as a result of reportable incidents.

This information is used to evaluate where resources should be allocated to effectively address any problem areas.

Position for the 12 months to 31 December 2015:

- 461 incidents reported
- no fatalities or life changing (permanently disabling) injuries
- no reportable diseases or dangerous occurrences
- seven incidents were notifiable to the Health and Safety Executive
 - five in operations (one specified and four over seven-day injuries)
 - two in engineering and construction (two over seven-day injuries).
- 381 working days lost through notifiable incidents
- two notifiable incidents involving contractors working for us
- no enforcement action from the Health and Safety Executive.

Reportable incident rate*

This is a measure of the number of reportable incidents per 1,000 staff. Significant improvements were noted from 2014 and the three-year average (5.75).

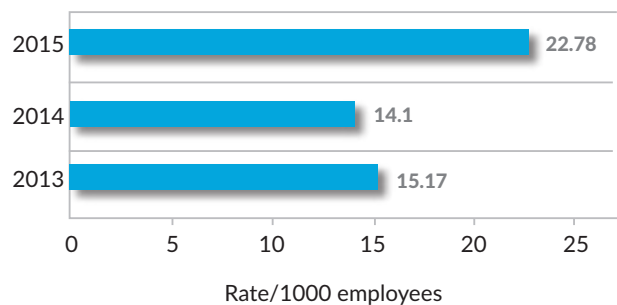
* Including major reportable accidents, reportable diseases, dangerous occurrences.



Lost time incident rate

This includes all reported incidents involving staff that have resulted in absence from work of one or more days.

In 2015 there was an increase in the number of incidents with 43 lost time incidents. This trend will be monitored in future years but may be the result of our drive to improve overall reporting of incidents. The principal causes of lost time were slips, trips and falls and manual handling.



Health and safety awards

Operations were awarded the British Safety Council International Safety award with distinction at the 2016 awards for performance during 2015. Our submission scored 59/60 and it is the sixth year that we've been recognised by the council for demonstrating our commitment to preventing workplace injuries and ill health.

The top submissions in each sector are shortlisted for sector awards and we have again been shortlisted for the power and utilities sector award, one we have won for the last two years.

Engineering and construction have been entering the Royal Society for the Protection of Accidents (RoSPA) annual occupational health and safety

awards since 2008 and hold a series of gold and silver awards. In the 2015 awards we were commended in the construction and engineering industry sector awards.

Entrants must be able to demonstrate a robust and high quality safety management system together with a minimum of four years' consistently excellent or continuously improving health and safety performance.

RoSPA recognised our commitment to accident and ill health prevention through Make It Right, endorsing our campaign to promote health, safety and wellbeing as an integral part of our safety culture.

Progress in the year

As well as our service and environmental performance commitments we also monitor internally how we support our employees and our financial performance. The following table highlights our progress in the year. We are a large regional employer so we take our responsibilities seriously. This is supported by the strong health and safety and training performance achieved this year.

Internal company targets EMPLOYEES	Performance level			Performance vs last year
	Five-year average	2014-15	2015-16	
HSE RIDDOR incidents per 1,000 employees	6.7	7.3	3.7	Better
Employees rating company as a good employer	84%	-	83%	n/a
Compliance with training plan	100%	100%	100%	Same
Staff turnover	7.8%	8.5%	8.8%	Same
Diversity plan progress	-	-	Assessment	New

Finance

We achieved all our financial targets in the year.



The UK group structure has remained the same since 2002 with the company wholly owned by Wessex Water Limited which in turn is wholly owned by YTL Utilities (UK) Limited. Neither of these entities provide any intra-group funding to the company with virtually all the debt raised for the UK group sitting within the company and all borrowings at market rates provided by financial third parties.

Gearing, as measured by net debt to regulatory capital value (RCV), stands at 66%. On a pensions-adjusted basis this figure rises to slightly over 70% which the board still finds an acceptable level. During the year the board has continued to pay particular attention to the projected level of the company's gearing ratio with a view, when declaring dividends, to protect the company's existing credit ratings.

The next actuarial valuation of the company's pension scheme is on 30 September 2016. At each triennial valuation the company agrees with the scheme's trustees a payment recovery plan in respect of any deficit. The company is committed to honouring any special contribution obligations that it signs up to.

The company continues to have a healthy liquidity position comprising cash and cash equivalents held on the balance sheet along with undrawn bank facilities giving the company instant access to funding if needed.

Taxation strategy

The company adopts a prudent approach to its tax affairs, but claims the tax relief to which it is entitled. An independent expert is used to ensure that the correct capital allowances are claimed. The current year corporation tax charge of £28.0m is 17.5% of the profit before tax figure of £159.6m. This is less than the 20% effective tax rate because of the capital allowances the company is allowed to claim.

The company does not engage in complicated tax schemes, because it does not believe it is the right thing to do, and because it could endanger its relationship with HMRC. The company avoids structuring transactions for tax purposes that would give a tax result inconsistent with the underlying economic result.

The company promotes an open and transparent relationship with HMRC, engaging in an early dialogue with them where there is any uncertainty as to the correct tax treatment of any significant transaction. It thereby ensures that issues are resolved before tax returns are filed, where possible.

HMRC are kept informed as to the structure of the business and in the last year the company's low risk status with HMRC has been renewed for a further three years.



In brief

- Operating profit fell by £14.2m to £234.2m due to the outcome of the recent price review agreed with Ofwat.
- Total operating costs were reduced by £5.3m as the company delivered on targeted savings.
- The cost of debt fell from 4.1% to 3.8% mainly due to lower inflation as we maintain a balanced mix of financial instruments.
- Capital expenditure delivered in the first year of AMP6 was £200.8m, an increase over £198.4m last year.
- Profit before taxation of £159.6m incurred a corporation tax charge of £27.3m.
- Gearing, as measured by net debt to regulatory capital value has increased to 66.2%.
- We achieved all our key financial targets in the year.
- Dividends in the year were declared in accordance with board policy which at all times is to preserve our existing credit ratings and access to new capital.

In detail

Financial performance

The first year of the AMP6 price review period saw a reduction in the profitability of the company, with operating profit falling by £14.2m from £248.4m to £234.2m. The reduction in turnover was £19.5m, partly offset by a reduction in operating costs of £5.3m.

Turnover

Turnover decreased by £19.5m or 3.6% from £540.3m to £520.8m.

The price reduction imposed by Ofwat at 1 April 2015 was 5.9% offset by November 2014 RPI of 2.0%.

Turnover reduced by less than the Ofwat adjustment because of improving economic conditions in the region which helped generate some growth.

Operating costs

Operating costs (excluding depreciation, amortisation and disposal of assets) decreased by £6.6m from £192.2m to £185.6m as savings exceeded the general level of inflation. Compared to the previous year there were savings from staff costs, Environment Agency charges, bad debts, share option charges and non-tariff basket activities (matched by decreased turnover).

Depreciation

Depreciation costs increased by £1.3m, from £99.7m to £101.0m. Under International Financial Reporting Standards (IFRS) the infrastructure maintenance charge has been replaced by an IFRS repairs charge and depreciation of underground assets. There was a £1.2m increase in the depreciation of above and below ground assets and a £0.1m increase in the cost of disposal of fixed assets.

Interest charges

Interest charges decreased from £76.6m last year to £74.6m this year. The £2.0m decrease was split between an interest payable reduction of £2.1m and a £0.4m increase in interest receivable, reduced by a £0.5m increase in pension related costs.

The £2.1m decrease in base interest costs arose because of the impact of the fall in the cost of debt from 4.1% to 3.8% in respect of floating rate and index linked borrowings. This was greater than the additional interest on the increase in net debt during the year from £1,847.9m to £1,856.3m.

There is a prudent mix of debt between fixed rate, index linked and floating rate instruments. At the year end the debt split was 49% fixed, 37% index linked and 14% floating, with the index linked debt based on either November or March RPI. The maturity of debt is generally long term with £1,675.0m of debt maturing after 2020.



Taxation charge

The corporation tax charge in the year was £27.3m, an increase of £14.5m over £12.8m last year.

The principal reason for the increase was that last year there was a £14.0m tax credit on first time adoption of IFRS. The credit related to items of infrastructure income taxed in previous years now recognised as profit and taxed in future years under IFRS.

The normal corporation tax rate reduced from 21% last year to 20% this year.

The company has a statutory year end of 30 June and the tax computation is prepared for the 12 months to 30 June each year. Corporation tax is paid quarterly.

Deferred tax has moved significantly from a charge of £18.3m last year to a credit of £31.9m this year, a movement of £50.2m. Both these years have been restated under IFRS which has no deferred tax discounting.

There is a deferred tax credit this year because the rate at which deferred tax is calculated has fallen from 20% at March 2015 to 18% at March 2016. This 2% reduction on the opening deferred tax liability of £1,879.0m is a credit of £37.6m.

There is a further £14.0m deferred tax reduction this year being the opposite of the corporation tax increase from last year's first time adoption of IFRS.

Dividends

Wessex Water's dividend policy is to declare dividends consistent with the company's performance and prudent management of the economic risk of the business. The board has agreed to ensure that gearing stays at or below 70% in order to maintain its current credit ratings and give the company continued access to the capital markets.

Cashflow and gearing

Net debt increased by £8.4m from £1,847.9m to £1,856.3m. This comprised:

- earnings before interest and depreciation of £335.6m, less
- cash outflow from capital investment of £166.6m, less
- interest and tax payments of £74.0m, less
- working capital and bond accrual outflow of £15.2m, less
- dividend payments of £88.2m.

Liquidity at year end was £295m comprising £95m cash and cash equivalents and £200m of facilities not yet drawn down.

The regulatory capital value fell by £155m, from £2,960m to £2,805m, increasing by £43m in relation to inflation and £57m for growth in assets, but decreasing by £255m for outperformance adjustments. Gearing at 31 March 2016, calculated as net debt divided by regulatory capital value, was 66.2%, an increase from 63.8% last year because of the reduced regulatory capital value.

Capital investment

In 2015-16 we delivered gross capital expenditure for the first year of the AMP6 programme of £200.8m, which is £2.4m higher than the £198.4m delivered last year.

With the combination of the on-going overlap water supply grid programme, which started in AMP5 and focused early start investment in 2014-15 to mobilise for project delivery in 2015-16, we have achieved a stable transition between the AMPs. Because we deliver a large portion of our investment with our own staff, it is both important to us and our supply chain that we provide this continuity of work.

We have delivered all the regulatory outputs for the year and are well placed to deliver the programme in future.

We have also initiated major technology and business change programmes in preparation for

non-household retail market opening, customer excellence and digital transformation.

Our risk-based total investment planning (totex) has resulted in appropriate and timely delivery focusing on those areas that are important to our customers and in particular delivering improvements against our outcomes, such as sewer flooding, river improvements and interruptions to supply.

We are investing more than ever in innovative approaches to solving problems and this will help us continue to improve services throughout the AMP period.

Key financial targets

The key internal targets set by the business were profit after corporation tax, operational costs, net capital expenditure, cash flow before dividends and dividends declared. All these were achieved at the year end.

Progress in the year

As well as our service and environmental performance we also monitor internally how we support our employees and our financial performance. The following table provides an overview of the financial status of the business. A challenging price control has resulted in reduced profitability and increased gearing, but we have controlled our costs, capital expenditure and cashflow. If you want to know more about our financial performance, this can be found in the *Annual report and accounts* document.

Internal company targets FINANCIAL	Performance level	
	2014-15	2015-16
Profit after corporation tax	159	132
Operational costs	-192	-186
Net capital costs	-192	-190
Cashflow before dividends	124	91
Gearing	62.8%	66.2%



**More than half our
customers are now
on a meter.**

Governance and assurance

In 2015 we reconfirmed our mission as a company to provide outstanding sustainable water and environmental services.

To achieve that we aim to:

- provide customers with excellent affordable services
- protect and improve the environment and contribute to wider society
- be a great place to work in which all employees can work safely and reach their full potential
- deliver the best possible returns to investors.

Our performance is regularly reported to the board. We apply strict assurance processes to the information reported. This includes internal audit, annual external audit and through the Wessex Water Partnership.

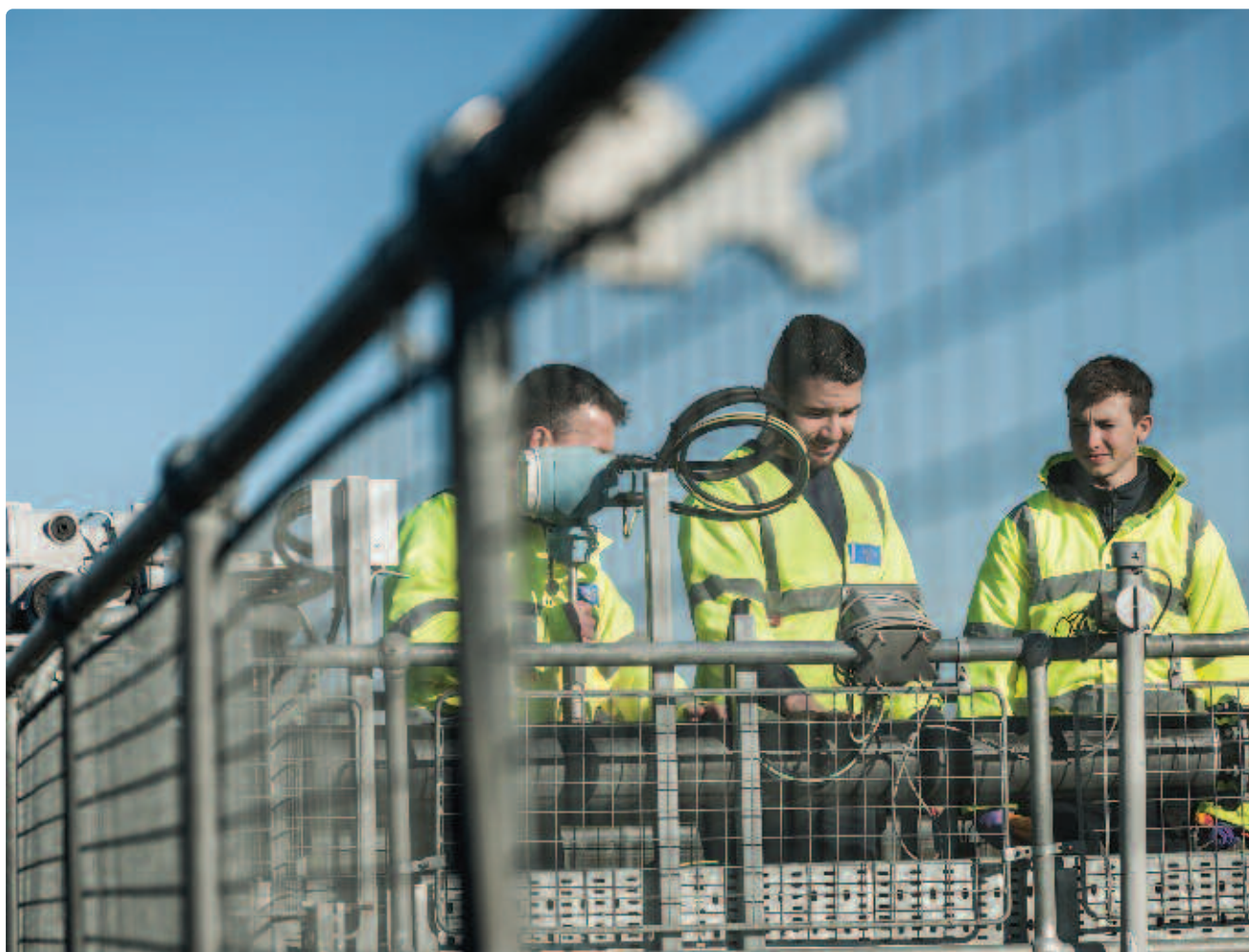
The role of the Wessex Water Partnership

Central to our engagement with customers and stakeholders is the Wessex Water Partnership which brings together a range of stakeholders.

The Partnership, supported by the catchment and futures panels, will scrutinise and assess Wessex Water's delivery against all outcomes and associated performance commitments set out in the business plan 2015-20.

The Partnership will also assess the company's overall eligibility for rewards or penalties according to the final regulatory settlement, having taken into account the views of the Catchment Panel on environmental outcomes.

The Partnership will publish its advice to the company board on whether performance commitments are being met and whether any financial rewards or penalties are due.



Looking ahead to 2020

We are required to produce a strategic report which, as well as a statement of the activities and performance of the business, also involves a forward looking view of the market to identify risks and uncertainties that could affect our performance.

Principal risks

Despite the challenging economic conditions and growing impact of the changing physical climate we have maintained industry leading customer and environmental performance. This has been achieved through a focus on understanding the risks we face and using innovative approaches to mitigate risks and create opportunities to improve the services we provide.

The company's policy on risk identification and management is subject to annual review by the board. The identification and management of risk is delivered through a tiered system of groups from operational staff, senior management, executive directors and the Wessex Water Services Limited board. The board reviews and holds ultimate responsibility for the risk process and for the identification and mitigation of risks.

Wherever possible, a risk is measured by its potential financial and service or environmental impact in the next five years, whether direct or indirect, including any possible impact on the price review process. The Risk Group meets twice a year and submits the current corporate risk register and summary report to the Risk Management Advisory Group comprising Executive Directors and senior managers.

The Risk Management Advisory Group scrutinises and challenges the risks included in the register and requires additional work where necessary to better classify the risk or explore other mitigation methods which may be available.

The Chief Executive submits a half yearly risk review paper to the board for its review and agreement. This paper details the risk review process, identifies the current principal risks to the business and the mitigation measures in place. It also records the status of emergent risks that have been identified and provides details to the board of any changes in the National Risk Register (NRR) and the National Resilience Planning Assumptions (NRPAs).

The board agreed the addition of one principal risk relating to the industry's preparedness for retail non-household market opening, and one change replacing leakage as a principal risk with a wider outcome delivery incentive failure risk which includes leakage. Risk scores have remained static as mitigation works have balanced out a general increasing trend of risk.

The 10 current principal risks agreed at the board are:

1. Government/regulatory action. Changes to legislation or other regulatory action can adversely affect the way in which the business operates and its profitability. The national audit office and public accounts committee have reported negatively on the sector and tight public finances mean heightened risk of government action on utility taxation, including interest deductibility. Relationships with politicians and regulators are maintained so that the Company's views about the impact of any proposed legislative changes on the Company and its customers are heard.
2. Market opening industry preparedness. A new principal risk reflecting the potential impact if all parties across the industry are not prepared in time for full market opening in April 2017. While our preparations are well advanced there remains the risk that either other companies or Market Operator Services Ltd (MOSL) will not be able to deliver to the very tight programme. This could result in additional cost and general reputational damage across the sector.
3. Major pollution incident. Control of the escape of polluting matter to the environment is central to the Company's business. Recent fines in the industry are now exceeding £1m per incident. Significant effort is made to prevent such an incident occurring through staff adherence to Company processes and procedures. New staff are trained in these processes and procedures and their importance. Local emergency plans are in place to protect the local environment at key installations.
4. Inappropriate staff actions. Considerable damage could be done to the reputation of the Company by a rogue or radicalised employee or contractor. References are obtained for all new starters whether permanent or contract. DBS checks are undertaken for all new permanent and fixed-term staff and for agency staff working in sensitive areas of the business.
5. Health and safety incident. Serious injury or death of a staff member or third party could expose the Company to prosecution under health and safety legislation and the Corporate Manslaughter Act. Health and safety processes and procedures are implemented via staff training and regularly monitored to maintain compliance and protect people from harm. With delivery of a large portion of our investment programme through in-house teams, health and safety is of paramount importance. We do expect to see an increase in fines following the Sentencing Guidelines Council review, just as we have seen on environmental pollutions.

6. Availability of new finance. The bond markets are used extensively to fund new investment. The current economic climate has shown the volatility of these markets. Careful management of the relationship with both the ratings agencies and lenders has ensured that, to date, finance has always been available at affordable rates. The relationship with bond markets and rating agencies will be maintained and the board will continue to ensure that the Company operates within prudent financial parameters. This annual review includes our first published long-term viability statement which includes modelling the main financial risks, and the outcome provides additional confidence in our risk mitigation.
7. Unfit water. A major failure of process or contamination of the water supply is a key risk. Significant effort is made to prevent such an incident occurring through staff adherence to Company processes and procedures. New staff are trained in these processes and procedures and their importance. We have completed a major exercise in documenting and updating our methodology for drinking water safety plans in liaison with the Drinking Water Inspectorate. Risk assessments are now being formally reviewed at the monthly water risk meeting and issues escalated to the Risk Group.
8. Outcome delivery incentive failure. A new principal risk incorporating leakage. As part of the risk-based regulation Ofwat has introduced performance commitments for AMP6. Many of these measures are company specific but some are cross-company measures with stretch targets. As well as reputational risk there are also financial penalties and rewards that can be incurred which will apply in AMP7. This process is new and there are a number of new and trial measures which heighten the risk of financial and reputational impact on the business.
9. Digital security. The Security Service has identified the growing threat of cyber-attack or industrial espionage as a high risk to both businesses and utilities. This is particularly important for Wessex Water assets that are considered part of critical national infrastructure. The Company also holds and processes large quantities of data which are considered sensitive within the meaning of the Data Protection Act. Failure to process and protect the data in the prescribed manner is an offence. Additionally, the Information Commissioner can take enforcement action which would require the Company to take

prescribed actions for improvements in the future. An annual penetration test is carried out to test our security measures. A quarterly Information Security Forum maintains the focus on mitigating this risk.

10. IS business resilience. Most activities undertaken by the business are reliant on the availability of IT services and facilities and the Company continues to examine ways in which IT resilience can be maintained and, where appropriate, improved. In particular, the IS team have completed a technology enhancement programme enabling real time site to site data replication that will vastly improve the current system recovery times in the event of a disaster situation. The business has committed to Office 365 cloud-based solutions which provide more capacity and improved resilience.

While the corporate risk register holds approximately 100 risks at any time, the principal risks are those that the board consider could have a material impact on the capability of the business to perform its functions. Many other areas which would be expected as standard areas for consideration, such as fraud, have been assessed and determined to be risks which are well controlled with current mitigations.

The Risk Group assesses the status of mitigation to address risks and the internal audit programme includes a rolling review of principal mitigation measures with regular reports to the Audit Committee.

Market overview

The water sector is in a phase of relatively rapid transition. Changes in society, the economy, the environment and regulation of the water sector itself can result in new risks and opportunities. It is vital that we can respond successfully, in the interests of customer service, public perception, environmental management and our financial performance.

We are already seeing changes in customers' expectations of public service providers and commercial organisations. There is a move towards 24/7 availability, immediate response to issues and greater personalisation of service. The rise of digital communication and social media is also speeding up reaction to events and enlarging the audience both of companies and those they serve. Consumer expectations about water services are growing, with customers readily comparing what we do with companies and service providers outside the water sector. Consequently, the service excellence ethos of

our staff and readiness to 'go the extra mile' are aspects we stress. Alongside this, high standards of public engagement are expected of utility providers and there is growing scrutiny of companies' practices and performance.

Meanwhile, significant concerns remain about affordability and household finances with the ongoing fallout of the 2008 global financial crisis. Associated issues include growing wealth inequalities within and between generations, shortages in affordable housing and changes to welfare and benefits, all of which can affect the ability of low income households to pay for essential services. This is why we constantly look at ways to address concerns about affordability and offer services that are as inclusive as possible.

For employers and their staff, there is a trend towards more flexible work patterns, enabled in part by improving information technology. The workforce is ageing overall and for the utility sector there are already specific issues around attracting and retaining enough individuals with sufficient technical skills and knowledge. We know that to succeed in this area we need to make sure that we are seen as an attractive employer by potential employees; which also means that we will need a more diverse workforce that better reflects the region and communities we serve.

The main environmental issue for water companies continues to be the implementation of European water regulation. In our region, nutrient loading in rivers and estuaries is the main driver of investment, followed by work to meet the revised Bathing Water Directive. Water companies are also conscious of the increasing fines being imposed for major pollution incidents. There is growing interest in promoting the free services provided by functioning ecosystems and 'natural capital', with alternatives to conventional end-of-pipe treatment becoming more mainstream. These include surface water management and tackling pollution at source

through catchment management, although farm intensification is a challenge for water quality. We have experienced extreme weather events in the last five years, notably intense rainfall and flooding, which indicate some of the threats that are likely to be amplified by climate change and increasing urbanisation.

The biggest change currently underway in the water sector is the introduction of competition for non-household customers, with formal separation of wholesale and retail functions from April 2017 onwards. As well as this partial vertical disaggregation, we are expecting an opening up of sludge operations and separate price controls for water resources. The outcomes based approach to delivering social and environmental benefit is set to continue, as is the expectation that investment decisions are based on totex expenditure. There is also a growing emphasis on resilience.

Other challenges have come to the fore in recent years. One key change in consumerism has been the increasing use of 'flushable' products which has led to an increase in sewer blockages. We are also alert to security threats, including cyber-attacks, that affect utilities as well as society as a whole.

Meanwhile, new technology has the potential for many benefits for organisations such as ours. The rapid development of sensors and data processing can give us real time understanding of flows through water mains and sewers, and of how well the treatment processes we use are operating. We are increasingly able to model and simulate these as well, which means we can fine tune asset management regimes. The application of 'big data', 'the internet of things' and improved visualisation is very promising in our industry.

Our strategic focus is to work with regulators to create the future water markets that best provide the services and opportunities required by our customers and communities.

Board endorsement of the Strategic Report

On 17 June the Audit Committee considered the Strategic Report, where it had the opportunity to question the Executive Directors and relevant senior managers. It was recommended to and approved by the board on 8 July.

The board is satisfied that it can make the Strategic Report in the form appearing above.

Francis Yeoh
Chairman

Sustainability accounting

For the year to 31 March 2016

Since 2002 we have produced accounts that look more widely at our sustainability impacts. Firstly, they provide a monetary evaluation of environmental impacts that conventionally have not been dealt with through investment or some other payment. Secondly, they summarise our expenditure on items relevant to sustainability in its broader sense.

Environmental accounts

Regulated investment in service improvements and the water environment

Issues addressed by our 2015-20 investment programme include low river flows that can occur during dry weather; phosphorus in rivers and streams; flooding from the sewerage system and bathing water quality. The single largest scheme is the integrated supply grid, which will involve investment of more than £200m over eight years. Alongside investment in physical assets, our work with farmers to better manage groundwater and river catchments means we can achieve improvements without significant increases in energy consumption or chemical dosing. Our environmental investigations are also central to ensuring that future capital investment is focused on well-evidenced environmental impacts.

Licences and fiscal measures

We are subject to numerous licences, taxes and other annual charges that have an environmental basis. These include abstraction licences and discharge consents paid to the Environment Agency, the Carbon Reduction Commitment Energy Efficiency Scheme (CRC) and the Climate Change Levy. Combined, we paid approximately £10.8m for these in 2015-16.

Other valuation methods

Calculating the hypothetical investment to eliminate an environmental impact is another way to assess environmental costs in monetary terms. Examples include the net cost of investing in renewable energy generation as an alternative to purchased fossil fuel-based energy, or the various costs of interventions to reduce inputs of phosphorus and nitrogen to the water environment.

A further approach is the use of shadow prices, such as the carbon values issued by government for use in policy and project appraisal. We use these in conjunction with estimates of the whole life carbon footprint of investment schemes when carrying out initial appraisals.

Overall, the monetary cost of our 2015-16 greenhouse gas emissions using UK shadow prices ranges between £1m and £9m (traded and untraded prices).

There are some established market-based approaches such as carbon offsetting with prices reflecting varying levels of accreditation. Other environmental markets are emerging; for our part we are developing a system for trading reductions in nutrient leaching linked to farming practices.

Investment towards sustainability

Expenditure made in the last 12 months is summarised below. This includes two main components. Firstly, we report on mandatory expenditure driven by legislation, which is increasingly embracing sustainable development considerations. Secondly, we show additional discretionary expenditure that benefits our customers, the environment in our region and our employees, while helping our general movement towards being a sustainable business.

	2016 £m	2015 £m
Customers and communities		
Mandatory	136	138
Discretionary	1	1
Environment		
Mandatory	66	60
Discretionary	1	2
Employees		
Mandatory	50	43
Discretionary	8	-
Totals		
Mandatory	252	241
Discretionary	10	11

A more detailed account is given in the accompanying report entitled *Sustainability indicators and accounting*. This document also provides information on the full cross section of our activities, covering customers and communities, the environment, employees and finances. It includes trends over the last five years for a range of issues and explanation of the issues we are addressing and our work during 2015-16.

Income statement

For the year to 31 March 2016

	2016 £m	2015 £m
Revenue	520.8	540.3
Raw materials and consumables used	(31.4)	(32.4)
Staff costs	(56.5)	(60.2)
Depreciation and amortisation	(101.0)	(99.7)
Other expenses	(97.7)	(99.6)
Total expenses	(286.6)	(291.9)
Operating profit	234.2	248.4
Financial income	0.8	0.4
Financial expenses	(75.4)	(77.0)
Net financing expense	(74.6)	(76.6)
Profit before tax	159.6	171.8
Taxation	4.6	(31.1)
Profit for the year	164.2	140.7

Balance sheet

At 31 March 2016

	2016 £m	2015 £m
Non-current assets		
Property, plant and equipment	3,344.1	3,237.9
Investments in subsidiaries	-	-
	3,344.1	3,237.9
Current assets		
Inventories	7.1	6.6
Trade and other receivables	170.5	171.0
Cash and cash equivalents	95.3	47.0
	272.9	224.6
Total assets	3,617.0	3,462.5
Current liabilities		
Bank overdraft	-	-
Other interest-bearing loans and borrowings	(4.5)	(4.1)
Trade and other payables	(188.4)	(171.4)
	(192.9)	(175.5)
Non-current liabilities		
Other interest-bearing loans and borrowings	(1,947.1)	(1,890.8)
Other payables	(0.3)	(0.4)
Employee benefits	(141.0)	(141.4)
Deferred income	(243.8)	(209.1)
Provisions	(0.2)	(2.0)
Deferred tax liabilities	(343.7)	(375.8)
	(2,676.1)	(2,619.5)
Total liabilities	(2,869.0)	(2,795.0)
Net assets	748.0	667.5
Equity		
Share capital	-	-
Retained earnings	748.0	667.5
Total equity	748.0	667.5

The accounts were approved by the Board of Directors on 8 July 2016 and signed on its behalf by:

Colin Skellett
Chief Executive

Mark Watts
Director

Cash flow statement

For the year to 31 March 2016

	2016 £m	2015 £m
Cash flows from operating activities		
Profit for the year	164.2	140.7
<i>Adjustments for:</i>		
Depreciation, amortisation and impairment	101.0	99.7
Financial income	(0.8)	(0.4)
Financial expense	75.4	77.0
Taxation	(4.6)	31.1
	335.2	348.1
Decrease in trade and other receivables	0.5	2.7
(Increase) in inventories	(0.5)	(0.2)
Increase in trade and other payables	1.9	21.4
(Decrease) in provisions and employee benefits	(7.2)	(5.4)
	(5.3)	(12.5)
Tax paid	(13.8)	(9.7)
Net cash from operating activities	316.1	356.9
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	1.2	0.8
Interest received	0.8	0.3
Acquisition of property, plant and equipment	(177.4)	(182.8)
Proceeds from infrastructure charges and capital contributions	10.9	6.1
Net cash from investing activities	(164.5)	(175.6)
Cash flows from financing activities		
Proceeds from new loan	50.0	100.0
Interest paid	(61.0)	(57.0)
Repayment of borrowings	-	(100.0)
Payment of finance lease liabilities	(4.1)	(30.7)
Dividends paid	(88.2)	(115.2)
Net cash from financing activities	(103.3)	(202.9)
(Increase/decrease) in cash and cash equivalents	48.3	(21.6)
Cash and cash equivalents at 1 April	47.0	68.6
Cash and cash equivalents at 31 March	95.3	47.0

Wessex Water Services Ltd

Board of Directors

Francis Yeoh CBE – Chairman (Non-Executive Director)

Managing Director of YTL Corporation Berhad, Malaysia since 1988. A founder member of the Malaysia Business Council, member of Malaysia's Capital Markets Advisory Council and Independent Non-Executive Director of The Hong Kong and Shanghai Banking Corporation Limited. Director since May 2002.



Colin Skellett – Chief Executive (Executive Director)

A chartered chemist and engineer by training, he has worked in the water industry for more than 40 years, holding a number of positions in the management and control of both water supply and sewage treatment.

He joined Wessex Water in 1974 and was appointed its Chief Executive in 1988. Colin oversaw the move from the public to the private sector and the transformation of Wessex Water into a highly rated UK plc. Colin was awarded an OBE for services to business and WaterAid in the 2012 Queen's Birthday Honours and has an Honorary Doctorate in Engineering from the University of the West of England.



Mark Watts – Director of Finance (Executive Director)

A qualified treasurer, Mark spent eight years in international banking before joining the treasury department of Wessex Water in 1991. He was appointed Treasury Manager in 1994 before becoming Treasurer in 1999.

Mark is highly experienced in raising finance, from both the capital markets and the banking sector, as well as having a long history in dealing with various corporate finance issues. He was appointed Finance Director and Treasurer on 16 March 2010.



David Barclay – (Senior Non-Executive Director)

Former Vice Chairman of Dresdner Kleinwort and Non-Executive Deputy Chairman of John Lewis plc. Senior Independent Director of Wates Group Limited. Deputy Chairman of the Board of the British Library. Appointed 1 November 2005. Senior Independent Director and Chairman of Audit Committee.



Gillian Camm – (Non-Executive Director)

Appointed in November 2011 and Chair of the Wessex Corporate Responsibility Committee. Chair of the Board of Governors – University of the West of England, Deputy Lieutenant Gloucestershire, vice president Quartet Community Foundation, member Society of Merchant Venturers, became Chair of the Leadership Foundation for Higher Education in November 2015.



Kathleen Chew – (Non-Executive Director – Shareholder)

Non-Executive Director of Wessex Water since April 2014. Group Legal Counsel to the YTL Corporation Group. She holds a LLB (Hons) degree from the University of Birmingham and was called to the Bar at Gray’s Inn, London in 1982. She joined YTL Corporation Berhad in 1988 to set up its legal department after being in practice at the Malaysian Bar for five years. Prior to joining the YTL Group, she was a partner in the law firm of Abdul Aziz Ong and Co in Kuala Lumpur from May 1987 to January 1988.



Huw Davies FCA – (Non-Executive Director)

Appointed in September 2014 and Chair of Pensions Trustees. Former Chief Financial Officer and Company Secretary of the Wates Group. Independent non-executive director of Hydro-International PLC and J Murphy and Sons Ltd. Chairman of the children’s communication charity I CAN.



Fiona Reynolds DBE – (Non-Executive Director)

Appointed in August 2012 and chair of the Futures Panel. Other non-executive roles include the Senior Independent Director on the Executive Board of the BBC, Chair of the Green Alliance, Chair of the International National Trusts Organisation and Chair of the Cathedrals Fabric Commission for England. Director-General of the National Trust from 2001 to 2012. Master of Emmanuel College, Cambridge from September 2013.



Hann Yeoh – (Non-Executive Director – Shareholder)

Non-Executive Director of Wessex Water since August 2012. Executive Director of YTL Power Generation Sdn Bhd (wholly-owned subsidiary of YTL Power International Berhad) and part of the business development team of YTL Power International Berhad. He also sits on the Board of YTL PowerSeraya Pte Limited in Singapore and is a graduate of Oxford University with a Master of Engineering in Engineering Science.



Hong Yeoh – (Non-Executive Director – Shareholder)

Director of YTL Corporation Berhad, Malaysia since 1985, Executive Director of YTL Power International Berhad. Responsible for YTL Group’s utilities and construction divisions. Director since May 2002. Chairman of Remuneration Committee.



Mark Yeoh – (Non-Executive Director – Shareholder)

Executive Director responsible for the YTL hotels and resorts division. Graduated from King’s College, University of London with an LLB (Hons) and was subsequently called to the Bar at Gray’s Inn, London in 1988. He joined the YTL Group in 1989 and serves on the Board of YTL Corporation Berhad, YTL Power International Berhad, YTL Land & Development Berhad, YTL Cement Berhad and Wessex Water Limited. Director since October 2003.





THE QUEEN'S AWARDS
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SUSTAINABLE DEVELOPMENT
2013

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