

## **PENNON GROUP PLC**

### **PUBLICATION OF ANNUAL REPORT AND ACCOUNTS 2022 & NOTICE OF AGM 2022**

In compliance with Listing Rule 9.6.1 Pennon Group Plc (the "Company") announces that the following documents have been submitted to the Financial Conduct Authority electronically via the National Storage Mechanism and will shortly be available for inspection at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>.

- Annual Report and Accounts 2022
- Notice of AGM 2022

These documents have been posted to those shareholders who have opted out of receiving electronic communications from the Company and may also be viewed on the Company's website at [www.pennon-group.co.uk](http://www.pennon-group.co.uk).

The Company will hold its 2022 Annual General Meeting ("AGM") at Peninsula House, Rydon Lane, Exeter, Devon EX2 7HR, at 9.30am on Thursday 21 July 2022. Remote participation and electronic voting will be provided, with further information on this set out in the Notice of AGM.

The following information in the Appendix to this announcement is as set out in the Company's Annual Report and Accounts 2022. It should be read in conjunction with the Company's Full Year Results announcement released on 31 May 2022, which included a set of consolidated financial statements, a fair review of the development and performance of the business and the position of the Company and its main trading subsidiary companies. Together these documents constitute the information required by Disclosure and Transparency Rule 6.3.5.

Simon Pugsley  
Group General Counsel & Company Secretary

20 June 2022

## APPENDIX

### Principal risks and uncertainties

(The following is extracted from the Annual Report 2022 and page numbers referred to are those in the Annual Report 2022.)

The Group's business model exposes the business to a variety of external and internal risks which are influenced by the potential impact of macro political, economic and environmental factors. Specifically, the UK is currently experiencing a high inflationary environment as a result of a number of global factors.

While the ability of the Group to influence these macro level risks is limited, they continue to be regularly monitored and the potential implications are considered as part of the ongoing risk assessment process. The Group performs a range of scenario planning and analysis exercises to understand the risk exposure of one, or a number, of these events occurring.

The Directors confirm that during 2021/22, they have carried out a robust assessment of current and emerging risks facing the Group, including the consideration of risks associated with the activities of Bristol Water. The assessment of the Group's principal risks has considered the impact on its business model, future performance, solvency and liquidity. These principal risks have been considered in preparing the Viability Statement on page 123.

Principal Risk	Strategic Impact	Mitigation	Net Risk	Appetite
Law, regulation and finance				
A: Changes in Government policy				
Long-term priorities 1, 2 Changes in Government policy may fundamentally impact our ability to deliver the Group’s strategic priorities, impacting shareholder value.	The current UK Government remains supportive of the existing regulatory model. During the year the UK Government has published its Strategic Policy Statement (SPS) which sets the strategic priorities for Ofwat, enacted the Environment Act and has consulted on their Storm Overflows Discharge Reduction Plan.  South West Water and Bristol Water have actively engaged and provided responses during the consultation process.  The Group also regularly engages with MPs and other political stakeholders, both directly and via Water UK, demonstrating the value from our operational performance, continued investment in our network and wider societal contribution.  Horizon scanning of emerging changes in Government policy, including policies designed to mitigate the impact of climate change, is regularly undertaken to monitor and assess the potential direct or indirect impact on the Group.		Medium Increasing	We recognise that Government policy evolves. The Group seeks to minimise the potential risk and maximise opportunities through regular engagement and robust scenario planning.
B: Regulatory Frameworks				
Long-term priorities 1, 2 Changes to regulatory frameworks may impact on the Group’s priorities, performance and the	Certainty over the 2020-25 regulatory framework has been provided through South West Water’s and Bristol Water’s Final Determination.  The Group’s Regulatory Affairs Steering Committee monitors changes in the regulatory environment.  There remains the potential that regulatory mechanisms within the next Price Preview period do not provide sufficient funding to achieve the		High Stable	We accept that regulatory reform occurs and seek to leverage opportunities where possible and minimise the potential risks by

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service we provide to our customers which can impact shareholder value.		environmental ambitions set out by the Government within the Environment Bill.  Internal PR24 planning has commenced and both South West Water and Bristol Water have actively responded to positioning papers from Ofwat which will inform the PR24 price review methodology which will be published in July 2022.		targeting changes which are NPV neutral over the longer-term to protect customer affordability and shareholder value.
C: Non-compliance with laws and regulations				
Long-term priorities 1, 2  The Group is required to comply with a range of regulated and non-regulated laws and regulations across our businesses. Non-compliance with one or a number of these may result in financial penalties negative impact on our ability to operate effectively and reputational damage.		The Group operates within robust and mature frameworks ensuring compliance with permit and other requirements of Ofwat, the Environment Agency and other relevant regulators. These frameworks are subject to regular review and enhancement to ensure the Group remains compliant with the increasingly complex legal and regulatory landscape. There remains an increased appetite amongst regulators for pursuing enforcement action for perceived non-compliance with the Environment Agency and Ofwat both currently undertaking industry-wide investigations of wastewater treatment works permit compliance.  The Group also maintains a comprehensive internal framework to ensure compliance with corporate laws and regulations. This is reinforced through key policies which are endorsed by the Pennon Board and refreshed legal compliance training has been provided to staff during the year.  Confidential whistleblowing processes exist which allows concerns to be raised confidentiality and appropriately investigated. Activity through the whistleblowing process is reported periodically to the Pennon Board.	Medium Increasing	The Group maintains the highest standards of compliance and has no appetite for legal or regulatory breaches.
D: Inability to secure sufficient finance and funding, within our debt covenants, to meet ongoing commitments				
Long-term priorities 2, 3  Failure to maintain funding requirements could lead to additional financing costs and put our growth agenda at risk. Breach of covenants could result in the requirement to repay certain debt.		The Group has well established treasury, funding and cash flow arrangements in place, underpinned by a Treasury Management Policy endorsed by the Pennon Board.  The impact of macro political, economic and regulatory risks on the Group's financing commitments and cash flow, funding and covenant compliance is regularly reviewed by the Group Executive and Pennon Board.  The Group retains £827 million of cash and committed facilities as at 31 March 2022. South West Water and Bristol Water are well funded for the 2020-25 regulatory period.	Low Stable	The Group operates a prudent approach to our financing strategy in order to ensure our funding requirements are fully met.

Principal Risk	Strategic Impact	Mitigation	Net Risk	Appetite
		Since March 2021 the Group has signed £295 million of new and renewed facilities at both Pennon and South West Water levels.		
<b>E: Non-compliance or occurrence of an avoidable health and safety incident<sup>1</sup></b>				
Long-term priorities 1, 2, 3 A significant health and safety event could result in financial penalties, significant legal costs and damage to the Group's reputation.		<p>The effective management of health and safety risks continues to be a key priority for the Group Executive and Pennon Board. The review of health and safety performance is monitored regularly through the dedicated Board and Executive Health and Safety Committees.</p> <p>The Group has continued to deliver and embed the HomeSafe strategy during the year. Additionally, improvement plans and initiatives are being consolidated within Bristol Water and a Bristol Water specific HomeSafe Plan will be developed during 2022/23.</p> <p>Investment has also been accelerated for safety specific asset improvements, focused on operational sites and activities.</p> <p>These measures have helped to contribute to the Group's lowest ever health and safety score of 22 Lost Time Injuries. The Group has also set out the roadmap to becoming leaders in health and safety in the water sector.</p> <p>1. 2021/22 performance and target excludes Bristol Water – Actual LTIs for Bristol was 10 giving a Pennon Group total of 32 for the year. Future targets to 2025 includes Bristol Water.</p>	Medium Stable	The Group has no appetite for health and safety related incidents and maintains the highest standards of compliance for our staff, contractors and other third parties.
<b>F: Failure to pay all pension obligations as they fall due and increased costs to the Group should the defined benefit pension scheme deficit increase</b>				
Long-term priorities 2 The Group could be called upon to increase funding to reduce the deficit, impacting our cost base.		<p>The Group has in-house pensions expertise supplemented by external specialists, including professional advisors who manage the scheme's investment strategy.</p> <p>Following consultation, the Pennon Defined Benefit scheme was closed to future accrual from 30 June 2021.</p> <p>Following the disposal of Viridor, the Group has contributed £59 million over and above the agreed deficit recovery payments from the 2019 actuarial valuation.</p> <p>As at 31 March 2022, there is a surplus of £66.3 million relating to the Group's retirement obligations and the Pennon Group Pension Scheme is approximately 105% funded against its technical provisions.</p> <p>The 2022 triennial valuation is underway.</p>	Low Stable	The Group will ensure that all obligations are met in full but seeks to manage this without unnecessary costs to the Group.
<b>Market and economic conditions</b>				
<b>G: Non-recovery of customer debt</b>				

Principal Risk	Strategic Impact	Mitigation	Net Risk	Appetite
Long-term priorities 1, 2 Reduced customer debt collection would adversely impact on the Group's revenue.		<p>South West Water and Bristol Water have robust collection strategies which have continued to adapt in response to the impact of COVID-19 and the increasing inflationary environment on customers during the year. The effectiveness of the measures taken have resulted in collection rates and debt levels at levels broadly comparable with prior year. Continued support has also been provided to South West Water and Bristol Water customers most in need by proactively promoting affordability measures and tariffs.</p> <p>Similarly, Pannon Water Services' collection rates and debt levels have remained robust and there has been proactive engagement with customers most impacted by COVID-19 restrictions to provide tailored support, in line with market code requirements.</p> <p>Despite the effectiveness of mitigations in place, further increases in inflation and the cost of living may result in future affordability challenges for our customers.</p>	High Stable	While seeking to minimise non-recoverable debt, we recognise customer affordability challenges and the inability to disconnect domestic customers results in a residual risk of uncollectable debt remaining.
<b>H: Macro-economic near term risks impacting on inflation, interest rates and power prices</b>				
Long-term priorities 2, 3 Lower inflation or deflation could adversely impact on the Group's revenue and significant changes in interest rates and power prices could increase the Group's cost base.		<p>The volatility currently being experienced in the global economy is impacting on the Group's near term cost base through increased operational costs, power prices and financing costs.</p> <p>Action is taken to mitigating these near term impacts through utilising the Group's in-house procurement function to drive value through competitive tendering, regularly review of the Group's debt portfolio and level of index linked debt, monitoring of forward power prices to manage the exposure to price volatility and increasing the level of renewable energy.</p> <p>Despite these mitigations there remains a degree of exposure beyond the Group's control.</p> <p>Long-term protection from the increasing inflationary environment is provided through inflation linked revenues and RCV growth, along with regulatory true-ups.</p>	High Increasing	The Group seeks to take well-judged and informed decisions while ensuring plans are in place to mitigate the potential impact of macroeconomic risks.
<b>Operating Performance</b>				
<b>I: The Group's operations and assets are impacted as a result of climate change and extreme weather events</b>				
Long-term priorities 1, 3 Failure of our operations to cope with short-term extreme weather or		<p>A low appetite remains amongst regulators and stakeholders for reduced performance arising from extreme weather and climate change.</p> <p>The assessment of both transitional and physical climate change related risks on the Group's assets and operations has informed South West Water's Climate Change Adaptation Plan which was</p>	Medium Stable	The Group seeks to mitigate the impact of climate change and extreme weather events through long-

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long-term implications of climate change may result in an inability to meet customer needs, environmental impacts, increased costs and reputational damage.		<p>published in December 2021 and the Group's TCFD statement on pages 106 to 122.</p> <p>Additionally, extensive water resource scenario planning has been undertaken as part of the development of South West Water's updated 25 year Water Management Plan, which will be published later in the year, and drought plans are subject to regular review. Bristol Water's Water Resources Management Plan was last published in 2019 and Drought Plan was published in 2022.</p> <p>Proactive capital investment is undertaken on the Group's assets to ensure the continued resilience of both water and wastewater assets, particularly those located on or near flood plains or at risk of rising sea levels and coastal erosion. Additionally the CREWW venture with the University of Exeter was launched during the year which will consider the impact of climate change in delivering resilient water supplies.</p> <p>The Group is also minimizing its environmental and climate change impact through the delivery of its 2030 Net Zero and WaterFit plans.</p>		term planning, forecasting and investment.
J: Failure of operational water treatment assets and processes resulting in an inability to produce or supply clean drinking water				
<p>Long-term priorities 1, 3</p> <p>An inability to produce or supply clean drinking water could result in financial penalties, regulatory enforcement and damage to the Group's reputation.</p>		<p>Whilst the region continues to experience high levels of demand, water resources have remained resilient during the year and are in a robust position ahead of the summer period. The Group also seeks strategic value enhancing opportunities and has procured a site for the development of a new reservoir in the region.</p> <p>Asset health is managed through a well-established programme of planned and preventative maintenance works which has continued to assist in delivering further improvements within the Group's drinking water operations.</p> <p>In the event of a significant incident detailed contingency plans and incident management procedures are maintained which are regularly reviewed.</p>	Medium Stable	The Group operates a low tolerance for significant operational failure of its water treatment assets and seeks to mitigate these risks where possible.
K: Failure of operational wastewater assets and processes resulting in an inability to remove and treat wastewater and potential environmental impacts, including pollutions				
<p>Long-term priorities 1, 3</p> <p>An inability to remove or treat wastewater could result in adverse environment impacts, financial penalties, regulatory</p>		<p>Minimising the impact of our activities on the environment is a strategic priority for the Pennon Board and Executive.</p> <p>The continued delivery of South West Water's Pollution Incident Reduction Plan has resulted in one-third less pollutions compared with the previous year. This has been achieved through continued asset investment and maintenance,</p>	High Stable	The Group operates a low tolerance for significant operational failure of its wastewater processes and assets and

Principal Risk	Strategic Impact	Mitigation	Net Risk	Appetite
enforcement and damage to the Group's reputation.		<p>enhancing our systems and processes, collaborating with others in the industry to share best practice, helping customers to understand how their behaviour impacts on the local environment and a focus on culture, training, and standards with our workforce.</p> <p>It is recognised, however, that there is more to do to deliver the desired step change in this area.</p> <p>The Group's WaterFit investment programme will deliver £330 million of investment focused on protecting and improving the quality of the region's rivers and seas. Further detail is provided on page 42.</p>		maintains the highest level of environmental standards.
L: Failure to maintain excellent service or effectively engage with our customers and wider stakeholders				
Long-term priorities 1 Failure to maintain an adequate level of service and engagement could lead to financial penalties for South West Water, the inability of Pennon Water Services to retain and grow market share and damage to the Group's reputation.		<p>The Group continues to invest in its customer services teams and expand the channels by which it can interact with and support customers. Both South West Water and Bristol Water hold the Institute of Customer Service's ServiceMark accreditation. Additionally, South West Water is BS18477 accredited, a dedicated standard for identifying and responding to customer vulnerability.</p> <p>While written complaints have decreased by 60% in South West Water, C-MeX performance is not where we would like it to be and action is underway to address this. Bristol Water's written complaints have halved during the year and were ranked sixth in the industry for C-MeX performance.</p> <p>Pennon Water Services continues to maintain high customer satisfaction scores, including a rating of 4.85 out of 5 on Trustpilot.</p> <p>The independent WaterShare+ advisory panel acts as a key mechanism for engaging and demonstrating to customers how South West Water is delivering on its business plan and Board pledges. During the year the first WaterShare+ AGM was held.</p> <p>The Group regularly engages with a wide variety of internal and external stakeholders including our people, customers, regulators, environmental stakeholders and our supply chain. During the year and extensive stakeholder engagement process was undertaken and the outcomes have been aligned with the Group's ESG Capitals framework. Further detail is on page 31.</p>	Medium Increasing	The Group continually seeks to engage with and increase customer and wider stakeholder satisfaction levels.
M: Insufficient skills and resources to meet the current and future business needs and deliver the Group's strategic priorities				
Long-term priorities 1, 2, 3		There remains high demand nationally for skills and experiences utilised across the Group. The	Medium Stable	While a certain level of employee

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Failure to have a workforce of skilled and motivated individuals will detrimentally impact all of our strategic priorities. We need the right people in the right places to innovate, share best practice, deliver synergies and move the Group forward.		<p>acquisition of Bristol Water has further enhanced the skills and talent available across the Group. During the year senior leaders from across the Group have participated in a talent development programme and Bristol Water's future leaders programme.</p> <p>The Group's HR strategy enables the Group to attract, retain and develop our employees and a number of reward and recognition initiatives have been launched during the year reflecting the significant contribution that our people make.</p> <p>During the year the Group has recruited a further 28 graduates, 136 apprentices and offered 54 placements through the Kickstart programme and 13 placements through the Black Intern initiative.</p> <p>The employee engagement forum has been refreshed during the year and nine new employee networks have been launched.</p> <p>The continued impact of the Group's Employee Benefits and Reward Strategy, a focus on talent management and prioritisation of the Group's diversity and inclusion agenda has again resulted in Pennon being an accredited Great Place to Work for a second year running.</p>		turnover is desirable, we ensure the appropriate skills and experience are in place with succession plans providing adequate resilience.
<b>N: Non-delivery of regulatory outcomes and performance commitments</b>				
<p>Long-term priorities 1, 2, 3</p> <p>South West Water's regulatory outcomes and performance commitments cover key strategic focus areas.</p> <p>Non-delivery against these could result in financial penalties being applied as well as reputational damage to the Group.</p>		<p>The delivery of our regulatory outcomes and performance commitments is principally through our operational activities and initiatives.</p> <p>Performance against South West Water and Bristol Water's ODIs is subject to regular scrutiny and review by both the Executive and the Board. This is supplemented by a comprehensive programme of internal and external assurance over reported performance.</p> <p>Approximately 80% of South West Water's and 75% of Bristol Water's ODIs are on track or ahead of target.</p>	Medium Stable	The Group is committed to achieving all performance commitments over the length of each regulatory period. Where performance in an individual year falls below expectations, action plans and targeted intervention are implemented to ensure performance returns to committed levels.
<b>Business systems and capital investment</b>				
<b>O: Inefficient or ineffective delivery of capital projects</b>				
<p>Long-term priorities 1, 3</p> <p>Inability to successfully deliver on our capital programme may</p>		<p>Capital projects are subject to an established and robust business case process which includes challenge and modelling of key assumptions. Projects are delivered utilizing skilled project management resource with Executive level oversight.</p>	Medium Stable	The Board has a low-risk appetite for risk associated with the delivery of capital investment



Principal Risk	Strategic Impact	Mitigation	Net Risk	Appetite
	result in increased costs and delays, detrimentally impacting our ability to provide top class customer service and achieve our growth agenda.	<p>The delivery of projects during the currently regulatory period, including as part of South West Water's Green Recovery Initiative, are progressing.</p> <p>The current volatility in the global economy is placing additional challenges on the Group's supply chain through reducing availability of goods and materials , increased costs and skills shortages.</p> <p>The Group works closely and regularly engages with its supply chain as well as monitoring the financial health of key partners. Established plans and alternative arrangements provide mitigation and early intervention where necessary.</p>		within our regulated business plan.
P: Inadequate technological security results in a breach of the Group's assets, systems and data				
Long-term priorities 1 Failure of our technology security, due to inadequate internal processes or external cyber threats, could result in the business being unable to operate effectively and the corruption or loss of data. This could have a detrimental impact on our customers and result in financial penalties and reputational damage to the Group.		<p>External threats to the Group's assets and systems remain heightened, particularly due to the war in Ukraine. External threats, including additional risks resulting from the current conflict in Ukraine, are being regularly monitored by the Group's information security teams.</p> <p>The Group maintains a strong preventive and detective information security framework, aligned to guidance issued by the National Cyber Security Centre.</p> <p>A refreshed information security awareness programme has been launched during the year and South West Water continues to hold the ISO27001 accreditation.</p> <p>During the year both South West Water and Bristol Water have continued to implement improvements as part of the roadmap to meet the requirements of the Network and Information Systems Directive (NIS), with activities aligned to the priorities identified by the Drinking Water Inspectorate.</p> <p>Disaster recovery plans are in place for both corporate and operational technology and are regularly reviewed.</p>	Medium Stable	The Group seeks to minimise technology and security risk to the lowest possible level without detrimentally impacting on the Group's operations.
Q: Failure to fully realise the strategic value arising from the acquisition of Bristol Water				
Long-term priorities 3 The inability to effectively integrate the acquired business could result in a failure to maximise the value of this transaction,		<p>Following the clearance of the Bristol Water merger by the CMA, integration planning has commenced focused on highlighting and adopting best practices from across the enlarged Group.</p> <p>Synergies of c.£20 million per annum by 2024/25 have been identified through service improvements, supply chain efficiencies, creating common systems and processes and sharing of best practice.</p>	Low stable	Opportunities that support the Group's strategic priorities are assessed against an expected level of return adopting clearly defined factors and metrics.

Principal Risk	Strategic Impact	Mitigation	Net Risk	Appetite
impacting on shareholder return.		The delivery of the integration programme includes Executive involvement with oversight by the Pennon Board.		

### Statement of Directors' responsibilities

**(This statement is extracted from the governance section of the Annual Report 2022 and page numbers referred to are those in the Annual Report 2022.)**

The Directors are responsible for preparing the annual report and the Group financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and parent company financial statements in accordance with UK adopted international accounting standards (IFRSs) in conformity with the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for the year.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Estimates and Errors and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions of the Group's financial position and financial performance;
- in respect of the Group financial statements, state whether UK adopted international accounting standards in conformity with the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent company financial statements, state whether UK adopted international accounting standards in conformity with the Companies Act 2006 have been followed; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company and/or Group will not continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company; and enable them to ensure that the Company and Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with the law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Each of the Directors, whose names and functions are listed on pages 130 and 132, confirms that, to the best of his or her knowledge:

- The consolidated financial statements, prepared in accordance with UK adopted international accounting standards in conformity with the Companies Act 2006 give a true and fair view of the assets, liabilities, financial position and profit of the parent company and undertakings included in the consolidation taken as a whole.
- The Annual Report, including the Strategic Report (pages 1 to 125), includes a fair review of the development and performance of the business during the year and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

- They consider that the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

### Related party transactions

(The following is Note 43 to the Financial Statements set out in the Annual Report 2022.)

Group companies entered into the following transactions with joint ventures which were not members of the Group. Transactions listed below with INEOS Runcorn (TPS) Limited and Lakeside Energy from Waste Limited related to Viridor and were reported as part of discontinued operations in 2021. Bristol Wessex Billing Services Limited and Water 2 Business Limited are joint venture investments of Bristol Water plc.

	2022 £m	2021 £m
<b>Sales of goods and services</b>		
INEOS Runcorn (TPS) Limited	–	3.5
Water 2 Business Limited	14.5	–
<b>Purchase of goods and services</b>		
Lakeside Energy from Waste Limited	–	3.8
INEOS Runcorn (TPS) Limited	–	2.2
Bristol Wessex Billing Services Limited	2.4	–

### Year-end balances

	2022 £m	2021 £m
<b>Receivables due from related parties</b>		
Water 2 Business Limited (including loan receivable of £9.6 million)	11.1	–
Bristol Wessex Billing Services Limited	0.9	–
<b>Payables due to related parties</b>		
Water 2 Business Limited	0.4	–
Bristol Wessex Billing Services Limited	1.4	–

The receivables due from related parties are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made, or are considered necessary, for doubtful debts in respect of these amounts due.

The loans to Water 2 Business Limited are due to be repaid on 28 February 2023 and carry interest at LIBOR plus 1.75%.

### Company

The following transactions with subsidiary undertakings occurred in the year:

	2022 £m	2021 £m
Sales of goods and services (management fees)	9.0	10.5
Purchase of goods and services (support services)	0.5	3.3
Interest receivable	1.3	4.7
Dividends received	94.5	101.6

Sales of goods and services to subsidiary undertakings are at cost. Purchases of goods and services from subsidiary undertakings are under normal commercial terms and conditions which would also be available to unrelated third parties.

#### Year-end balances

	2022 £m	2021 £m
<b>Receivables due from subsidiary undertakings</b>		
Loans	31.5	26.1
Trading balances and other receivables	48.2	59.9

£26.1 million of the loan balance is due for repayment in instalments over a five-year period following a receipt of a request to repay. No request to repay has been issued at the current time. Interest on £13.1 million (2021 £13.1 million) of the loans has been charged at a fixed rate of 5%. Interest on £13.0 million (2021 £13.0 million) of the loans has been charged at 12-month LIBOR +3.0%.

The remaining loan receivable of £5.4 million is with Bristol Water Holdings UK Limited (BWHUK). As part of the acquisition of the Bristol Water Group, Pennon Group plc acquired a loan receivable from BWHUK with a principal repayable of £5.5 million. This loan receivable is due for repayment on 31 December 2023 and the rate of interest charged on the amount outstanding is 0%. Under the requirements of IFRS9 the fair value of the loan is recognised using the rate of 3.565% (comprising an indicative market rate of 0.765% and a margin of 2.8%). The difference between the fair value and the notional value is amortised over the remaining term of the loan with the effective interest being charged to the income statement.

No material expected credit loss provision has been recognised in respect of loans to subsidiaries (2021 nil).

	2022 £m	2021 £m
<b>Payables due to subsidiary undertakings</b>		
Loans	282.8	283.4
Trading balances	8.6	8.6

The loans from subsidiary undertakings are unsecured and interest-free without any terms for repayment.

20 June 2022

[www.pennon-group.co.uk](http://www.pennon-group.co.uk)

End transmission