Financial highlights

We delivered a robust set of financial results for the year ended 31 March 2021, supported by a strong balance sheet with low customer debtor risk, a responsible level of gearing and a fully-funded pension scheme on a low-dependency basis.

Robust financial performance

£602.1m
Underlying and reported operating profit[1]
(2020: underlying £732.1m, reported £630.3m)

56.2p
Underlying earnings per share[1]
(2020: 71.3p)

66.5p
Reported earnings per share[1]
(2020: 15.7p)

Underlying operating profit decreased by £130 million, largely reflecting the anticipated allowed revenue decrease in the first year of the new regulatory period, higher infrastructure renewals expenditure, as we continue our work to optimise the performance of our network, higher depreciation reflecting continued investment in the asset base and a slight increase in the remaining cost base. Reported operating profit is equivalent to underlying operating profit for the year ended 31 March 2021.

Underlying earnings per share (EPS) decreased from 71.3 pence to 56.2 pence, principally reflecting the £130 million reduction in underlying operating profit, partially offset by lower underlying net finance expense as a result of lower inflation applied to our index-linked debt. Reported EPS increased from 15.7 pence to 66.5 pence principally reflecting fair value gains on debt and derivative instruments and profit on disposal of the group's stake in the Tallinn Water JV. A reconciliation between underlying EPS and reported EPS is shown on page 83.

KPI performance
- Underlying operating profit
- Underlying earnings per share

Strong balance sheet

62%
Gearing: net debt to RCV[2]
(2020: 61%)

Pension scheme
fully funded on a low-dependency basis

We maintain a responsible approach to gearing, with a level that sits within our target range at 55–65 per cent.

Our pension schemes are fully funded on a low-dependency basis, meaning that we are not making deficit repair contributions. We do not expect this position to change given our approach to hedging market risk.

KPI performance
- Gearing: net debt to RCV
- Low dependency pension scheme

Appropriate returns

43.24p
Dividend per share
(2020: 42.60p)

+7%
TSR
(2020: +17%)

Our AMP7 dividend policy targets annual growth by CPIH inflation. The board has proposed a final dividend of 23.83 pence, taking the total dividend to 43.24 pence. This is an increase of 1.5 per cent, in line with the group's AMP7 dividend policy.

Total shareholder return calculates the return to shareholders based on the movement in share price plus dividends over each financial year.

KPI performance
- Dividend per share
- Total shareholder return

Read more about our financial KPIs on pages 74 and 75

Read more about our financial performance on pages 76 to 83

(1) Underlying measures are defined in the tables on pages 82 to 83 and reflect a change in approach to alternative performance measures (APMs) with prior year numbers re-presented for comparability.

(2) March 2021 gearing is based on new definition of net debt to exclude the impact of derivatives that are not hedging specific debt instruments, with prior year numbers re-presented for comparability.