

Tax Strategy

Corporate Structure

Portsmouth Water Limited is a wholly owned subsidiary undertaking of South Downs Capital Limited. The Group, which operates entirely in the UK, is majority owned by an Employee Benefit Trust. Debt finance is provided by way of third party loans, the majority of which is by way of a fixed rate, RPI linked bond maturing in 2032.

Portsmouth Water is committed to full compliance with all statutory obligations. As a company we understand that collecting and paying tax is an important part of contributing to the economic environment that we operate in and in addition to paying corporation tax we also contribute as a result of indirect taxes, employee related taxes and environmental taxes. The Company's tax affairs are managed in a way which takes into account the wider corporate reputation and that of an independent company unique in the industry owned by a Trust on behalf of our employees. At all times the tax affairs are managed in line with the Company mission statement of Integrity, Excellence and Respect.



Governance in relation to UK taxation

- The ultimate responsibility for the tax strategy of Portsmouth Water Limited sits with the Board.
- The Finance and Regulation Director is the Board member with executive responsibility for tax matters.
- The day-to-day management of the tax affairs is delegated to the Financial Controller who reports to the Finance and Regulation Director.
- Members of the Finance team are trained to a level that ensures tax compliance and a continuous cycle of training occurs to ensure all skills are relevant and up to date.
- For tax filing, specialist advice and support Portsmouth Water engage the services of specialist Finance and Accountancy professionals.





Risk Management

Attitude towards tax planning and level of risk Portsmouth Water Limited manages risks to ensure compliance with legal requirements in a manner which ensures payment of the correct amount of tax.

Portsmouth Water's attitude towards tax planning is one of prudence; seeking to comply fully with relevant tax legislation and to achieve a high degree of certainty in the company's tax affairs. The wider group of Companies applies the same approach to tax planning as a whole.

At all times Portsmouth Water seeks to comply fully with its regulatory and other obligations and to act in a way which upholds its reputation as a good corporate citizen and a business operating in a regulated environment.

In relation to any specific issue or transaction the Board is ultimately responsible for identifying the risks, including tax risks, which need to be address and for determining what actions should be taken to manage those risks. In doing so the Board has regard to the materiality of the amounts and obligations in question. Where specific risks occur the Company will seek specialist professional advice.

In line with the Company's ethos to strive for continuous improvement through innovation we are able to utilise government tax initiatives such as the R&D Tax Credits scheme to reduce our corporation tax charge and therefore continue to maintain one of the lowest cost of service in the water industry.

Working with HMRC

Portsmouth Water seek to have a transparent, respectful and proactive relationship with HMRC at all times, be that directly or through intermediaries acting on our behalf.

Any inadvertent errors that may occur in any submission made to HMRC are fully disclosed as soon as reasonably practicable after they are identified and independent specialist advisors are commissioned to validate the value of any error. Following this, an internal review will then identify any required process changes of internal controls, to ensure full and ongoing compliance.

Future tax changes are considered through Water UK's Tax Forum, of which Portsmouth Water is a member. This group allows us the opportunity to discuss how future tax legislation can be interpreted and applied to the Water Industry.

A review of any special tax events, such as FRS102 transition or significant commercial transaction, is conducted with the help of tax and tax planning specialists.

List of entities covered by this Tax Strategy

- South Downs Capital Limited
- South Downs Limited
- South Downs Trustees Limited
- Brockhampton Holdings Limited
- Portsmouth water Limited
- Brockhampton Pension Scheme
- Brockhampton Property Investments Limited
- Brockhampton Trustees Limited
- Portsmouth Water Superannuation Fund Trustees Limited
- Portsmouth Water Holdings Limited
- South Downs Parent Limited

