

# PORTSMOUTH WATER LIMITED

Annual Report and Accounts 2025







# OVERVIEW

Explore the highlights of the past year from our operational delivery and strategic programmes, understand the challenges we have faced and our ongoing investments.

## HIGHLIGHTS OF THE YEAR DURING 2024-25 WE:



Began full construction of Havant Thicket Reservoir, the first new reservoir in a generation, securing resources for the South East and protecting chalk streams.



Delivered industry-leading performance in the reliability of our water supplies from interruptions, alongside excellent water quality and customer service.

Invested £16.5m on improving our treatment works, networks and systems and £11m laying the foundations for our next five-year investment.



Maintained the lowest water bill in England and Wales at £120 and supported more than 15,000 households struggling financially with our social tariff.



Carried out a successful pilot to install smart water meters for 500 customers, ahead of rolling out these meters to 170,000 customers by 2030 and all by 2035.

Agreed our final business plan with Ofwat, to spend £377m in 2025-30 (excluding the investment in Havant Thicket Reservoir) to maintain excellence for our customers, more than £100m higher than this five-year period.

Implemented the Kraken Customer Management Relationship platform and migrated all our customers across to offer more tailored, responsive services.

## CHAIRMAN'S OVERVIEW

This year has been pivotal for Portsmouth Water. It marks the culmination of our five-year investment plan and the transformation of our business in readiness to deliver our next five-year programme, which will be our largest ever at £377m.

In addition we started the main construction phase of our new reservoir at Havant Thicket, the first of ten reservoirs being progressed in England and Wales to ensure water security for future generations.

Alongside preparing for this future, we have maintained industry-leading performance in the reliability of our water supplies from interruptions, alongside excellent water quality – both of which are of the highest priority for our customers.

We were the first water company to implement the Kraken Technologies' award-winning customer relationship platform, which lays the foundation to roll out smart water meters for all our customers. And our water bill remained the lowest in England and Wales, while at the same time we are supporting more customers who are struggling financially.

During the year, we accepted Ofwat's final determination on our business plan, which sets the allowances for expenditure and the outcomes we must deliver for 2025-30. This followed a successful challenge to Ofwat's draft determination in 2024. Our final plan supports the investment we need to secure reliable sources, meet the challenges of climate change impacts, support growth, reduce the likelihood of extreme water restrictions and improve our environment.

**Christopher Deacon**  
Independent Chairman

June 2025

# CHAIRMAN'S OVERVIEW

Our plan will see us invest a total of £377m over the next five years (in addition to the investment spend on Havant Thicket Reservoir) to maintain the excellence we already provide and build on our customer-first approach. This is over £100m more than our last five-year plan. Our plan will enable us to:

- install smart water meters at 170,000 properties by 2030, to help our communities relate to their water use, so together we can save more water
- reduce leaks by 15% and halve leakage by 2040
- upgrade treatment works and pipes to secure the highest water quality and most reliable supplies in England and Wales
- conduct studies of all our water sources to help make sure the environment thrives over the long term
- remove lead pipes with our primary focus on schools and nurseries
- maintain leading levels of customer service – in person and online
- upgrade our technology sources for extra security and efficiency
- reduce our carbon footprint
- support wildlife on our sites and in our communities in partnership with our biodiversity partners
- maintain the lowest water bills in England and Wales and offer help to everyone having difficulties paying their bill.

Our final plan also includes the delivery of Havant Thicket Reservoir to provide water to our customers and Southern Water customers and to protect rare chalk stream environments in Hampshire. We have continued to work with Southern Water and Ofwat to develop the scheme to potentially accommodate a second source of water from a water recycling scheme. This would increase the water available in a drought from 21 million litres a day to more than 100 million litres a day.

During the year, we also published our final long-term Water Resources Management Plan. Derived from the regional plan developed by Water Resources South East, the plan sets out how we will secure reliable supplies for our customers for the next 50 years. It requires us to make sure sufficient water is available for our customers in extreme droughts – reducing the likelihood of drought restrictions such as standpipes to once every 500 years on average after 2039. This is planned through the ambitious programme we have of reducing leaks from our network and helping our customers use less water through the rollout of smart water meters.

Our business plan, long-term water resources plan and our 25-year Long-Term Strategy are all designed to deliver on our vision and priorities for the next 25 years:

### Our Vision:

Our vision, against the backdrop of climate change and population growth, is to provide an affordable, reliable and sustainable supply of high-quality water for our customers. By being smart in our approach, we will work with our local communities to meet our goals, while protecting and enhancing the environment for generations to come.

### OUR PRIORITIES

#### PRIORITY ONE

Secure and deliver water supplies which are high quality, reliable and sustainable.

#### PRIORITY TWO

Work in partnership with our customers, communities and stakeholders.

#### PRIORITY THREE

Invest in the future to meet growing environmental challenges.

#### PRIORITY FOUR

Achieve affordable water for all. Always.

Recognising the scale and pace of the challenges ahead, we have stepped up our capabilities to make sure we are ready to deliver.

The water sector has faced an unprecedented level of criticism in recent years. The sector is being challenged to improve on delivery for customers, communities and the environment following public anger on environmental performance, perceived lack of investment and money taken out of the sector in dividends and executive bonuses.

The UK Government has introduced new legislation through the Water (Special Measures) Act 2025 which can ban executive bonuses and ultimately result in criminal prosecutions for executives. Portsmouth Water's Board has carefully considered regulatory guidance and executive pay and made changes to our dividend and executive pay policies to address public concern.

We are also mindful of preparing for change when an Independent Water Commission, led by Sir Jon Cunliffe, publishes its final recommendations this summer. The interim report has already highlighted the need for a clearer long-term strategy and better system planning across the sector and we will engage with the Government and our regulators on the final recommendations. It is a vital step to rebuild trust in the water sector.

In this political and regulatory context, it is more important than ever we continue to deliver excellence for our customers, who continue to value our services and demonstrate trust in them.

### Leading performance

In this report, we detail 30 of the Key Performance Indicators we used to measure success during the year – we met our targets on 22 of these. Many of these also form the basis of rewards and penalties – the Outcome Delivery Incentives (ODIs). In 2024-25 we received rewards and incurred penalties, with overall a net penalty due to failing to meet our leakage target and reduction in per capita consumption. Despite receiving a penalty there are a number of areas where we led the industry.

Notable successes during the year include:

- leading the industry on the reliability of supplies with the lowest level of interruptions – average interruption time of 2 minutes and 1 second (against an Ofwat target of 5 minutes)
- ranking in the upper quartile of water companies on the C-MeX customer service measure – a target we have met every year since 2020
- leading the industry on the D-MeX customer service measure for developers
- significantly outperforming our target on the Compliance Risk Index water quality measure, turning around from a disappointing score last year
- maintaining the lowest charges in England and Wales with an average water bill of £120
- surpassing our targets to support customers struggling financially with our social tariff and supporting more customers through our Priority Services Register
- achieving a Gold Distinction Award from the Royal Society of Prevention of Accidents (RoSPA) for health and safety – for the 20th consecutive year.

# CHAIRMAN'S OVERVIEW

## Areas of challenge

We know reducing leaks is a priority for our customers. While we reduced leakage by 1% from the previous year and detected more than 3,000 leaks, we did not meet our rolling three-year average leakage target in 2024-25. Total leakage was 29.5 million litres of water per day (three-year rolling average), against a target of 24.1 million litres.

Our leakage performance in 2022, which was heavily impacted by a dry summer and harsh winter, continues to affect our three-year average numbers. We have continued with the Recovery Action Plan we put in place in 2023, which contributed to the reductions we made in 2024-25, and we recognise the importance of further reducing leakage across our network and improving our data in this area.

The amount of water our customers use is another challenge. Our customers used 155.6 litres per person per day on the three-year average performance we are reporting for 2024-25 – above our target of 139.9 litres and the national average. Our focus is to support customers to use less water through our smart water metering programme, with tailored water use information and incentives.

## Our smart water meter programme

We are investing £63 million to install smart water meters for all the homes and businesses we supply by 2035, with 170,000 new meters to be installed by 2030. This programme will help secure long-term resources and protect our environment through a step-change in leakage reduction and personal water use.

In 2024-25, as part of £11m transitional investment, we put in place the IT infrastructure, partner contracts and customer interfaces to deliver this programme. We also carried out our first successful pilot with 500 customers ahead of the full rollout in 2026.

The pilot provided valuable insight and generated minimal negative customer contact. It demonstrated our ability to recognise leakage inside properties, high water use and customers who may need additional support. This included an elderly customer who had mistakenly left his outside tap running for a few days. We will continue piloting our approach as we rollout the programme.

## Foundations for the future

Our smart programme is enabled by the Kraken Technologies' Customer Relationship Management platform and its successful implementation during the year was a significant undertaking. We are the first water company to utilise the platform, which was built by Octopus Energy Group, and which has already transformed customer engagement in the energy sector.

The implementation involved the migration of the details of more than 300,000 household and 18,000 non-household properties. This led to some challenges and customer disruption. However, our teams worked hard to mitigate the impact and we now have a much more versatile and responsive system which will allow us to interact with our customers in a more personal and tailored way in the future. We are continuing our innovation with Kraken Technologies through our Water Lab, where we collaborate on testing and refining our future approaches to customer engagement.

## Scaling to the challenge

In 2024-25, we developed the significant new capabilities we need to deliver our ambitious programme over the next five years. We established a transformation office, identified eight strategic programmes and established an asset management directorate for the first time in our history.

Identifying the key skills we need is paramount and we expanded our senior management and capital delivery teams and engaged every employee in a 2025-30 strategy overview session. We also engaged key strategic and specialist partners, letting supply contracts for meter supply, installation and data, network repairs, construction and professional services in a competitive market.

## Our investment

In addition to this transitional investment, our total capital expenditure in 2024-25 was £16.7 million. We focused on completing the investment for the five-year period, some of which was delayed in the early years due to Covid restrictions, as well as tackling emerging issues to support our supply of high-quality, reliable water. This included:

- £3m to renew 12km of water mains
- £7.8m in improvements at sites where we abstract, treat and pump water
- £1.7m on multiple improvements at our River Itchen treatment works
- Recommissioning an out-of-service treatment works to boost resilience
- £1.1 million on inspecting and maintaining nine reservoirs.

This scale of investment in the final year of the period places us in a strong position to deliver our increased level of investment and the stretching targets in the next five-year period.



# CHAIRMAN'S OVERVIEW

## Havant Thicket Reservoir

Our delivery of the first new reservoir in a generation spans both this investment period and the next and we marked several significant milestones in 2024-25.

We are delivering Havant Thicket Reservoir in partnership with Southern Water, playing a leading role in securing vital new water storage resources for the wider South East. This is an environmentally-led project and will help protect world-renowned chalk streams in Hampshire by supporting Southern Water to reduce its abstraction from the River Test and River Itchen.

We were delighted to welcome Secretary of State for the Environment, Steve Reed MP, to the site in March 2025, as we entered the construction phase of the project. During 2024-25 we also progressed the detailed design for the reservoir, secured full and detailed planning permission for the embankment and wetland areas and held a public consultation on the design of facilities at the nearby water treatment works.

We continued to engage closely with our communities on the design and delivery of the reservoir, through our stakeholder advisory group and specialised sub-groups, completed the first of several stream enhancements and progressed the re-wilding of 80 hectares of agricultural land.

### Legacy of skills and employment

In addition to its environmental benefits, an economic study by the University of Birmingham quantified the employment, apprenticeships and skills benefits the Havant Thicket Reservoir project brings.

This includes:

- £2 million per year to the South East economy once complete
- £50 million to the South East economy during construction
- 98,000 new trips annually to the recreational facilities once complete
- 5,000 new trips annually to environmental projects
- 84 new construction jobs
- 10-15 apprenticeships during construction.

## Increasing resilience

During the year, we continued to support Southern Water to develop its proposal for the Hampshire Water Transfer and Water Recycling Project, to greatly enhance the water available to Hampshire in the event of a drought and reduce abstraction from chalk streams.

This project, for which Southern Water is currently preparing a planning application, would introduce highly-treated, recycled wastewater to the reservoir. The scheme also includes a pipe to transfer water from the reservoir to its works in Hampshire.

We have agreed changes to the scope of delivery of the reservoir project to increase resilience and future proof the scheme – principally increasing our pipeline to two pipes so we can fill and draw water from the reservoir at the same time.

We are also concurrently making changes to our reservoir design to address risks associated with ground conditions on the reservoir site. The combined impact of these changes is expected to delay the delivery of the reservoir by three years and increase the overall cost. However, making these changes now is the right thing to do as it will save money in the long run and ensure the safety of the reservoir. We recently secured planning permission for the changes to our pipeline design and we will be shortly submitting our plans to Ofwat to agree the additional funding requirements for the change through a second cost adjustment mechanism.

## Financial performance

Financial performance was in line with our expectation with a return to profitability with the fall of inflation. Profitability in recent years has been impacted by high inflation resulting in higher reported financing costs due to inflation of our index linked debt.

Revenue has increased by 3.5% to £49.6m in the current year, compared to FY24. Operating costs increased by 7.9% to £42.9m and operating profit was £6.3m, 22% lower than the previous year.

The fall in operating profit largely reflects the impact from the 'one-off' business rates rebate received in 2023-24 and the higher pension-related exceptional costs incurred in 2024-25. Continuing high energy and commodity-related costs and the growth in employment-related costs, combined with having higher levels of staff in place as we prepare for our largest investment programme, have increased our operating cost base. We expect our cost base to grow in 2025-26 but profitability will increase with the new regulatory settlement for 2025-30.

During the year, our investors Ancala provided £30m of additional capital. Since 2021 they have provided £170m to support our investment plan and Havant Thicket Reservoir. We are well positioned to deliver our next five-year plan with more than £50m of cash and cash equivalents and £220m of available debt facilities on 31 March 2025, with headroom until 2027. The planned changes to the reservoir scheme will require further equity and debt support and we expect to complete the financing exercise following the cost adjustment mechanism with Ofwat during 2025-26.

## Environmental, Social and Governance

In 2024-25, we took steps to more formally embed Environmental, Social and Governance (ESG) principles across our business. We established an ESG committee to give strategic focus and direction to sustainability matters and this year's report is structured around ESG reporting. Next year we will produce a separate Annual Sustainability Report, outlining our performance against ESG goals.

A fundamental part of our ESG strategy and reporting centres on carbon and emissions. We have set a target of net zero by 2040 for our operational Greenhouse Gas (GHG) emissions and in 2024-25 our gross emissions were 6,052 tCO<sub>2</sub>e. There was a slight increase in our net emissions due to using more energy to enhance our treatment processes and an increase in reported carbon emissions from our in-house and supply chain fleet. However, we generated significantly more energy from solar – an increase of 60%.

The environment is at the heart of our operations and we aim to maintain and enhance biodiversity on our land, including our 44 operational sites. In 2024-25, we met many of our five-year cumulative targets:

- Delivery of 18 schemes under the Water Industry National Environment Programme (WINEP)
- £250,000 in grants awarded to third parties to enhance biodiversity
- Good stewardship of 29 priority habitat sites
- Engagement with 50 farmers and landowners on farm management plans.

## Customers and communities

Working in partnership with our customers, communities and partners to bring about social and environmental improvements is another key tenet of our ESG strategy. During the year we expanded our Customer Scrutiny Panel, bringing together a diverse mix of stakeholders to assess our engagement with customers and we continued our long-standing stakeholder groups who scrutinise and advise on the delivery of Havant Thicket Reservoir. We also worked to tackle issues such as youth opportunity and social inclusion through partnerships with Shaping Portsmouth, local authorities and community organisations, as well as promoting STEM through schools.

## Our People

Our achievements during the year are a testament to the dedication of our employees to help our customers and communities and we thank them for their efforts.

We have invested in 2024-25 to upskill our people and create a diverse and inclusive environment, led by capable leaders. In 2024-25, 79% of our employees received Equity, Diversity and Inclusion (EDI) training, compared to 15% the previous year and we saw a small reduction in our mean gender pay gap in our latest reported figures for 2023-24.

Our focus has been to support continuous personal and professional development so our teams can reach their full potential, develop their careers and feel empowered to deliver as we step up to deliver our next five-year programme.





## STRATEGY AND DELIVERY

Read about our vision and priorities, our performance against key metrics during the year and since 2020 and how we are transforming to deliver our next five-year investment programme.

# OUR PURPOSE, VISION AND VALUES

Our company’s long-term vision and priorities have been developed in partnership with our people, our customers and our communities. The Board takes overall responsibility for our company’s purpose and values.

Together, our purpose, values, vision and priorities make sure we invest in our future services, protect and improve our environment and provide support for those struggling financially.

### Our purpose and values

Our purpose is Excellence in Water. Always – and we strive to deliver this through our values: Excellence, Integrity and Future Focus. It is these values which shape the services our customers receive and they underpin everything we do.

### Our vision and priorities

We developed our vision and priorities in 2023-24, in collaboration with our customers, and these shape our business plan for 2025-30 and our 25-year Long-Term Delivery Strategy.

## OUR VISION

**Our vision, against the backdrop of climate change and population growth, is to provide an affordable, reliable and sustainable supply of high-quality water for our customers.**

**By being smart in our approach, we will work with our local communities to meet our goals, while protecting and enhancing the environment for generations to come.**

At its core, our vision means the experience our customers have will continue to lead the industry and help us deliver on our purpose – Excellence in Water. Always.

Considering the challenges ahead, opportunities for innovation and learning from best practice examples, we developed four key priorities in partnership with our customers, to deliver on our vision.

These are:



**Secure and deliver water supplies which are high quality, reliable and sustainable**



**Work in partnership with our customers, communities and stakeholders**



**Invest in the future to meet growing environmental challenges**



**Achieve affordable water for all. Always.**

These priorities form the basis of the excellent service we already provide for our customers and will continue to build on as we deliver our ambitious programme for 2025-30.

Recognising the scale and pace of the challenges ahead, during the last year we have stepped up our investment and capabilities to make sure we are ready to deliver our 2025-2030 business plan.

Construction of Havant Thicket Reservoir – the first major reservoir in a generation – is instrumental in delivering on many of these priorities, not only in our region, but for the wider South East. Our Demand Reduction Programme, supported by our smart water meter rollout, will evolve customers’ understanding of water use and help to reduce consumption across the area.

As we invest for the future, we will maintain the lowest bills in the sector, providing a helping hand to those customers who need extra support and extend the financial support we offer, to make sure water remains Affordable for all. Always.



# OUR DELIVERY IN 2024-25 AND THE FIVE YEARS OF 2020-2025

Our 2020-2025 business plan has centred around the delivery of 12 outcomes for our customers, our people, our environment and our business and 2024-25 was the final year of this plan.

Throughout the last five years, we have aligned our day-to-day activities closely to these 12 outcomes and monitored them using a set of Key Performance Indicators (KPIs).

We can now look back on how we delivered on our plan during the five years and make sure the lessons we learnt are reflected in delivery of our most ambitious plan yet for 2025-2030. (see page 20).

Below we summarise the outcomes we aimed to deliver between 2020-25, how we delivered these and the KPIs we used to measure success.

OUR ENVIRONMENT		
OUTCOMES 2020-2025	<ul style="list-style-type: none"><li>Low leakage levels</li><li>Delivering on water efficiency targets</li></ul>	<ul style="list-style-type: none"><li>An improved environment supporting biodiversity.</li></ul>
ACTIVITIES	<ul style="list-style-type: none"><li>Investment in an enhanced programme of leakage monitoring, leak detection and repair.</li><li>Significant regional review of water resources through work with Water Resources South East</li><li>Development, review and monitoring of our Water Resources Management Plan</li><li>Provision of bulk supplies to Southern Water, the delivery of Havant Thicket Reservoir and the development of further water resources through the Ofwat RAPID process</li><li>Delivery of Biodiversity Action Plan</li></ul>	<ul style="list-style-type: none"><li>Promotion of water efficiency through advice to customers, water-saving devices, smart water metering trials and community events. Lobbying for a change in 'water stress status' and driving meter penetration</li><li>Development of our Catchment Management team and programme</li><li>Delivery of environmental improvements required under the National Environment Programme.</li><li>Reduction of our carbon footprint.</li></ul>
KEY PERFORMANCE INDICATORS (SEE PAGES 20-21)	<ul style="list-style-type: none"><li>Leakage</li><li>Per capita consumption</li><li>Avoidance of Temporary water usage bans (TUBs)</li><li>Risk of severe restrictions in a drought</li><li>Biodiversity and Biodiversity Grant Scheme</li></ul>	<ul style="list-style-type: none"><li>Catchment management</li><li>Delivery of WINEP schemes</li><li>Carbon</li><li>Abstraction Incentive Mechanism</li><li>Havant Thicket Reservoir.</li></ul>

OUR PERFORMANCE FOR CUSTOMERS		
OUTCOMES 2020-2025	<ul style="list-style-type: none"><li>Safe, secure and reliable drinking water</li><li>A service tailored to individual needs at a long-term affordable price</li></ul>	<ul style="list-style-type: none"><li>Long-term resilience of supplies for our own customers and to support the South East region.</li></ul>
ACTIVITIES	<ul style="list-style-type: none"><li>A comprehensive water quality testing programme in accordance with Drinking Water Inspectorate requirements and clear programmes of remediation where any DWI audit findings are raised</li><li>A dedicated catchment management programme, team and activities to protect the quality of our water sources</li></ul>	<ul style="list-style-type: none"><li>Investment in schemes to improve water quality and reliability such as new UV treatment plants</li><li>Careful monitoring of our mains network, a programme of mains renewals and management of bursts and leakage</li></ul>
KEY PERFORMANCE INDICATORS (SEE PAGES 20-23)	<ul style="list-style-type: none"><li>Water quality standards (CRI)</li><li>Water quality contacts</li><li>Mains repairs</li><li>Interruptions to supply</li></ul>	<ul style="list-style-type: none"><li>Unplanned outage</li><li>Low pressure</li><li>Void</li><li>Resilience schemes to ensure peak demands can be met.</li></ul>

OUR SOCIAL OBLIGATIONS INCLUDING OUR PEOPLE		
OUTCOMES 2020-2025	<ul style="list-style-type: none"><li>Recognised by stakeholders as having a culture of health, safety and wellbeing through all our activities</li><li>Recognised by the community as a good corporate citizen</li></ul>	<ul style="list-style-type: none"><li>Supporting our most vulnerable customers</li><li>Supporting the communities we serve.</li></ul>
ACTIVITIES	<ul style="list-style-type: none"><li>A focus on excellent customer service underpinned by business values and culture</li><li>A personal approach with local call handlers who take ownership on behalf of customers</li><li>Supporting vulnerable customers through schemes and services</li><li>Treating all non-household retailers identically in accordance with our Compliance Code so no commercial customers are disadvantaged because of the retailer they choose.</li><li>Driving a culture of health, safety and wellbeing in everything we do</li></ul>	<ul style="list-style-type: none"><li>Ensuring the safest possible environment for employees, visitors and the general public</li><li>Risk assessments for employees and public safety on every job we undertake</li><li>Investing in our people by supporting ongoing professional development, education and training</li><li>Renewed focus on the importance of mental health</li><li>Development of the Community Partnership and plans to leave a lasting community legacy through the development of resources associated with Havant Thicket Reservoir. Working closely with local schools and actively supporting local education activities.</li></ul>
KEY PERFORMANCE INDICATORS (SEE PAGES 22-23)	<ul style="list-style-type: none"><li>Ofwat customer service measures – C-MeX and D-MeX</li><li>Affordability</li><li>Priority Services Register</li></ul>	<ul style="list-style-type: none"><li>Vulnerability</li><li>RoSPA accreditation (Health and Safety).</li></ul>

OUR BUSINESS		
OUTCOMES 2020-2025	<ul style="list-style-type: none"><li>A business that is financeable and provides a stable return for shareholders</li></ul>	<ul style="list-style-type: none"><li>Financial resilience.</li></ul>
ACTIVITIES	<ul style="list-style-type: none"><li>An effective corporate governance structure and a Board focused on continuous improvements</li><li>Operation of effective financial processes and internal controls</li><li>Close monitoring of budget and out-turn financial performance against KPIs, covenants and ratings metrics</li></ul>	<ul style="list-style-type: none"><li>Transparent executive remuneration linked to stretching performance targets and consistent with Ofwat's performance related pay rules</li><li>Effective financing arrangements</li><li>A transparent and sustainable dividend policy, that takes account of service delivery for customers and the environment.</li></ul>
KEY PERFORMANCE INDICATORS (SSEE PAGES 22-23)	<ul style="list-style-type: none"><li>Profit - EBITDA</li><li>Cash Interest Cover</li></ul>	<ul style="list-style-type: none"><li>Gearing (Net Debt: Regulatory Capital Value ("RCV"))</li><li>Return on Regulatory Equity ("RORE") RISKS.</li></ul>

Our performance against 30 of our KPIs aligned with our outcomes is summarised on the following pages and described in more detail in the corresponding sections of this report.

# OUR DELIVERY IN 2024-25 AND THE FIVE YEARS OF 2020-2025

As a business we focus on a range of operational and financial key performance indicators ('KPIs') to help us assess and monitor our performance. We believe that the KPIs, summarised below, provide a balanced view of how we are performing against both our business Outcomes (2020-2025) and our overall long-term business vision.

These KPIs align closely to our outcomes and cover the key areas of our business operations and activities. They also cover the range of interests of our different stakeholders. A number of the KPIs are also linked directly to financial rewards and penalties built into the Ofwat regulatory framework through the Outcome Delivery Incentive Mechanism (ODIs).

ENVIRONMENT	2024-25 target (financial year)	2024-25 Performance	2023-24 Performance	2022-23 Performance	2021-22 Performance	2020-21 Performance	2024-25 Target met?	Find out more
<b>LEAKAGE (3-YR AVERAGE)</b> The total level of leakage, including customer supply pipe leakage, as measured on an annual average mega litre per day (ML/d) basis.	<24.1 ML/d	29.5	29.1	27.6	25	25.4	✗	<a href="#">p46</a>
<b>PER CAPITA CONSUMPTION (3-YR AVERAGE)</b> The weighted average water consumption per household customer served calculated from the number of measured and unmeasured households.	<139.9 l/h/d	155.6	155.7	161.1	160.2	157.2	✗	<a href="#">p48</a>
<b>WATER INDUSTRY NATIONAL ENVIRONMENT PROGRAMME (WINEP)</b> The cumulative number of schemes completed and signed off by the Environment Agency each year against the 18 confirmed schemes.	18	18	7	7	7	2	✓	<a href="#">p60</a>
<b>DELIVERY OF WATER INDUSTRY NATIONAL ENVIRONMENT PROGRAMME (WINEP) REQUIREMENTS</b> The completion (met or not met) of required schemes against the WINEP tracker measured in the year in which performance is being measured.	met	met	met	met	not met	met	✓	<a href="#">p60</a>
<b>ABSTRACTION INCENTIVE MECHANISM</b> The volume of abstraction when flows at Frogmill on the river Hamble are at or below the trigger point, measured in ML.	0 ML	0	0	0	0	0	✓	<a href="#">p40</a>
<b>TEMPORARY USAGE BANS</b> Introduction of water restrictions in accordance with the Company's approved drought plan.	0 bans	0	0	0	0	0	✓	<a href="#">p40</a>
<b>BIODIVERSITY REWARD</b> The value of grants awarded to third parties for projects and activities that promote and enhance biodiversity in the 2020 to 2025 period.	£250,000	£250,000	£200,000	£149,000	£99,000	£50,000	✓	<a href="#">p63</a>
<b>BIODIVERSITY PENALTY</b> The good stewardship of 29 sites identified with Natural England as priority habitat. Defined as the percentage of required jobs completed and assessed as completed by Natural England.	>90%	97%	98%	100%	91%	30%	✓	<a href="#">p62</a>
<b>CARBON</b> The percentage reduction in net annual operational greenhouse gas emissions measured in kilograms carbon equivalent (kgCO2e) per million litres (ML) of water put into supply from a 2019-20 baseline.	<-5%	-19%	-7.8%	-15.2%	-29.8%	-25%	✓	<a href="#">p34</a>
<b>CATCHMENT MANAGEMENT</b> The number of farmers/land owners engaged with that have committed to undertake and implement a Farm Management Plan that includes a nutrient management plan where applicable.	50	50	40	30	20	10	✓	<a href="#">p63</a>
<b>RISK OF SEVERE RESTRICTIONS IN A DROUGHT</b> The percentage of the customer population at risk of experiencing severe restrictions in a 1-in-200 year drought, on average, over 25 years.	<32%	88%	88%	92%	88%	84%	✗	<a href="#">p42</a>
<b>HAVANT THICKET</b> The number of full calendar months in the year that a milestone is missed. As delivery of the reservoir has been delayed by 3 years there is no target within this AMP period.	On track	On track	On track	On track	On track	On track	✓	<a href="#">p50</a>
PERFORMANCE	2024-25 target (financial year)	2024-25 Performance	2023-24 Performance	2022-23 Performance	2021-22 Performance	2020-21 Performance	2024-25 Target met?	Find out more
<b>WATER QUALITY STANDARDS (COMPLIANCE RISK INDEX) (CALENDER YEAR FOR THIS MEASURE)</b> The CRI score is calculated for every individual compliance failure at water supply zones, supply points/ treatment works and service reservoirs. The annual CRI for a company, for any given calendar year, is the sum of the individual CRI scores for every compliance failure weighted by the potential number of properties affected	<2.0 units (calendar year)	0.45	15.62	1.24	3.61	0.57	✓	<a href="#">p54</a>
<b>MAINS REPAIRS</b> The number of repairs required on our network as a result of bursts and leaks, in accordance with Ofwat guidance. Defined as the number of mains repairs per 1,000km of network.	<68.6 per 1,000km	66.8	52.8	83.3	47.3	76	✓	<a href="#">p54</a>
<b>UNPLANNED OUTAGE</b> The temporary loss of peak week production capacity (PWPC) in the reporting year weighted by the duration of the loss (in days), expressed as a percentage.	<2.34%	0.83%	1.97%	1.04%	0.76%	1.25%	✓	<a href="#">p54</a>
<b>INTERRUPTIONS TO SUPPLY</b> Average time of supply interruption per property (includes both planned and unplanned interruptions)	<5 mins 0 secs per property	2 mins 1 sec	1 min 31 secs	2 mins 21 secs	2 mins 21 secs	2 mins 49 secs	✓	<a href="#">p54</a>
<b>WATER QUALITY CONTACTS (CALENDER YEAR FOR THIS MEASURE)</b> A measure of customer contact for taste, odour, discolouration and illness calculated as the number of contacts per 1,000 population per annum.	<0.41 contacts per 1,000 population (calendar year)	0.49	0.42	0.42	0.41	0.43	✗	<a href="#">p54</a>

# OUR DELIVERY IN 2024-25 AND THE FIVE YEARS OF 2020-2025

PERFORMANCE	2024-25 target (financial year)	2024-25 Performance	2023-24 Performance	2022-23 Performance	2021-22 Performance	2020-21 Performance	2024-25 Target met?	Find out more
<b>VOIDS</b> The number of household properties classified as void as a percentage of the total number of household properties served by the company.	<2%	2.32%	2.24%	2.18%	2.28%	2.36%		<a href="#">p54</a>
<b>LOW PRESSURE</b> The number of properties receiving or at risk of receiving pressure below the low pressure reference level.	<18	14	16	36	23	60		<a href="#">p54</a>
<b>RESILIENCE SCHEMES TO ENSURE PEAK DEMANDS CAN BE MET</b> The number of resilience schemes designed to improve resilience at times of peak demand.	100%	67%	33%	0%	0%	0%		<a href="#">p54</a>
SOCIAL	2024-25 target (financial year)	2024-25 Performance	2023-24 Performance	2022-23 Performance	2021-22 Performance	2020-21 Performance	2024-25 Target met?	Find out more
<b>CUSTOMER MEASURE OF EXPERIENCE (C-MEX)</b> Based on four surveys undertaken by an independent third party on behalf of Ofwat to establish the quality of the service we provide to our customers in general	Upper quartile	4th	1st	2nd	3rd	1st		<a href="#">p66</a>
<b>DEVELOPER MEASURE OF EXPERIENCE (D-MEX)</b> Based on monthly customer surveys undertaken by an independent third party on behalf of Ofwat to establish the quality of the service we provide to developers. This measure also includes the Water UK levels of service we provide to developers.	Upper quartile	1st	9th	2nd	3rd	3rd		<a href="#">p67</a>
<b>PRIORITY SERVICES FOR CUSTOMERS IN VULNERABLE CIRCUMSTANCES</b> The compliance against 3 different PSR targets. PSR reach, percentage of households that the company supplies that are registered. PSR attempted, percentage of distinct households the company has attempted to contact over a 2-year period. PSR actual, percentage of distinct households the company has actually contacted over a 2-year period.	Met	Met	Met	Met	Not Met	Met		<a href="#">p72</a>
<b>ROSPA ACCREDITATION</b> The Company will apply for RoSPA Health and Safety accreditation annually.	RoSPA Awarded	Awarded	Awarded	Awarded	Awarded	Awarded		<a href="#">p76</a>
<b>ADDRESSING VULNERABILITY</b> The average respondents to a survey that are ‘very satisfied’ or ‘satisfied’ with the service the company provides in the context of supporting customers in vulnerable circumstances.	>85%	87%	85%	77%	70%	84%		<a href="#">p72</a>
<b>AFFORDABILITY</b> The number of customers who are benefiting from the company’s social tariff.	>10,000	15,027	13,532	11,680	10,254	9,327		<a href="#">p70</a>
FINANCIAL	2024-25 target (financial year)	2024-25 Performance	2023-24 Performance	2022-23 Performance	2021-22 Performance	2020-21 Performance	2024-25 Target met?	Find out more
<b>PROFIT - EBITDA</b> Financial measure in accordance with UK accounting standards being Earnings Before Interest, Tax, Depreciation and Amortisation.	>£17.9m budget	£13.6m	£14.5m	£15.2m	£14.5m	£14.1m		<a href="#">p88</a>
<b>CASH INTEREST COVER</b> The ratio represents the number of times that adjusted cash flow covers interest payments. A detailed calculation is included in Appendix 1.	>1.40	1.45	1.45	1.45	2.17	2.04		<a href="#">p87</a>
<b>OFWAT GEARING (NET DEBT: RCV), EXCLUDING HAVANT THICKET RESEVOIR RCV FUNDING</b> The ratio of Net Debt (loans less cash) to Regulated Capital Value (RCV). A detailed calculation is included in Appendix 1 as defined by Ofwat.	<70%	67.5%	50.0%	78.4%	73.0%	70.3%		<a href="#">p87</a>
<b>RETURN ON REGULATORY EQUITY (RORE)</b> The % return (and adjusted profit based measure) on the equity component of RCV. The equity input is derived by applying the inverse of the gearing ratio to RCV. A detailed calculation is included in Appendix 1	>6.0%	-1.94%	-3.77%	3.00%	6.05%	7.18%		<a href="#">p86</a>

# OUTCOME DELIVERY INCENTIVES

Many of these KPIs also form the basis of rewards and penalties which are part of the Ofwat price review process – the Outcome Delivery Incentives (ODIs). We monitored and managed our significant business risks against our ability to achieve these ODIs. In 2024-25 we received rewards and incurred penalties, with overall a net penalty of £0.96m (2023-24: £1.1m). We received rewards for our performance on water supply interruptions, the C-MeX measure of customer satisfaction and the D-Mex measure of developer experience. We incurred penalties for the water quality contacts metric, leakage and voids. Overall, during 2020-2025, we incurred a net penalty of £0.82m.

	2020-21	2021-22	2022-23	2023-24	2024-25
Water Supply Interruptions	0.254	0.253	0.234	0.243	0.206
Customer Measure of Experience	0.283	0.203	0.243	0.253	0.157
Developer Measure of Experience	0.099	0.101	0.085	-	0.150
Water Quality Contacts	-	-	-	-	-0.044
Voids	-0.050	-0.039	-0.025	-0.034	-0.045
Leakage	0.281	0.214	-0.288	-0.672	-0.864
Per Capita Consumption	n/a	n/a	n/a	n/a	-0.518
Mains Repairs	-0.053	-	-0.290	-	-
Biodiversity (penalty)	-0.019	-	-	-	-
Water Quality Compliance (CRI)	-	-0.197	-	-0.848	-
WINEP	-	-0.089	-	-	-
Total £m	0.795	0.446	- 0.041	-1.058	-0.958

# OUR BUSINESS PLAN FOR 2025-30

During 2024-25, Ofwat concluded its price review process, which sets our expenditure allowances, price caps and outcomes for the five years from 2025-30.

The process began in earnest in October 2023 with submission of our five-year business plan to Ofwat. This plan was built on detailed customer and stakeholder research and continued to reflect our four key priorities for the next 25 years, which are:

- Secure and deliver water supplies which are high quality, reliable and sustainable
- Work in partnership with our customers, communities and stakeholders
- Invest in the future to meet growing environmental challenges
- Achieve affordable water for all. Always.

For the first time, the five-year business plan was formally embedded in a 25-year Long-Term Delivery Strategy, an adaptive plan that sets out the key investments we will need to make under a range of future scenarios, reflecting the uncertain impacts of climate change, population growth, environmental requirements and technological advances.



# OUR BUSINESS PLAN FOR 2025-30

Our plan included a step change in the level of investment, to enable us to:



Install smart water meters at 170,000 properties by 2030, connecting our communities to their water use, so together we can save more water



Reduce leaks by 15% and halve leakage by 2040



Upgrade treatment works and pipes to secure the highest water quality and most reliable supplies in England and Wales



Investigate all our water sources to make sure the environment thrives over the long term



Remove lead pipes, with our primary focus on schools and nurseries



Maintain leading levels of customer service – in person and online



Upgrade our technology sources for extra security and efficiency



Reduce our carbon footprint



Support wildlife on our sites and in our communities



Deliver Havant Thicket Reservoir – the first major reservoir in a generation



Maintain the lowest water bills in England and Wales and offer help to everyone having difficulties paying.

Ofwat published its draft determination of our business plan in July 2024, challenging our plan in some areas, including the level of investment in enhancing our services and key performance targets and deliverables.

We responded in August 2024, providing further evidence and information in the areas Ofwat had challenged. This further evidence resulted in positive changes to the final determination published in December 2024, which was substantially in line with our original business plan proposals. As a result, we confirmed in February 2025 that we would not seek a referral of the revenue controls to the Competition and Markets Authority. Having analysed Ofwat’s final determinations, six other companies in the sector decided they could not deliver their plans for their revenue controls and appealed them.

### Outcomes of the Ofwat final determination

Ofwat’s final determination allowed for total spend of £377m in 2025-30, £11m higher than included in our initial business plan submission and an increase of more than £100m compared to 2020-25. Across the sector, the final determination saw a significant shift in the scale of investment, almost quadrupling enhancement expenditure compared to previous years.

The additional expenditure allowed by Ofwat for our plan, compared to our forecast, recognised our costs were below Ofwat’s assessment of the efficient benchmark, with Ofwat assessing Portsmouth Water as the most efficient company in the sector for delivery of ‘base’, day-to-day activities.

Ofwat also increased the allowed return on capital from 3.85% in its draft proposals to 4.22% in the final determination. For Portsmouth Water this includes an uplift to reflect the higher financing costs we face as a small company, something our customers strongly supported. The allowed cost of capital for Havant Thicket Reservoir was set at 4.44%, reflecting a higher allowed cost of debt, based on the unique characteristics and debt profile of the project.

To fund this investment average household bills will increase from £120 in 2024-25 to an estimated £184 in 2029-30 (including forecast inflation), with an initial increase to £150 in the first year, 2025-26. Despite these increases our water charges will remain the lowest in the sector.

### Financial support for our customers

Consistent with our commitment to ensure affordable water for all, by 2029-30 we will nearly triple the number of households on our Helping Hands social tariff for those on low incomes – currently set at a household income of under £21,000 per year. Our support package totals £3.2 million. We are also doubling support through our Hardship Fund, Matched Payment Scheme and payment holidays, with a package of nearly £1 million.

### Delivering our enhancement investment programme

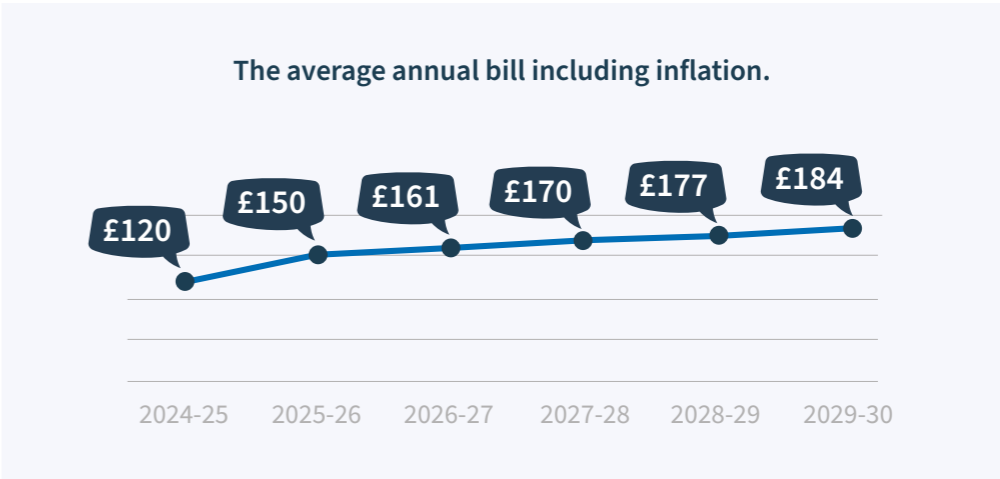
As part of the final determination, Ofwat set Price Control Deliverables (PCD) to provide assurance that we deliver all the enhancements which have been funded.

These PCDs make sure that if we do not deliver the investments we have committed to, we will return the money to our customers. We will also pay penalties if we deliver the investment late.

In July 2025 we will publish our PCD Delivery Plan which will set out in detail our delivery programme for our enhancement projects, including projected expenditure and delivery milestones. Publication of this delivery plan will enable stakeholders as well as regulators to hold us to account for delivering the investment in our plan.

### Transparency on our performance

We will continue to report on progress in delivering all the service improvements we have committed to, including reducing leakage, maintaining the lowest level of supply interruptions in the sector and expanding the helping hand we offer to customers in vulnerable circumstances, through our published Annual Performance Report.



\*The first two figures include actual inflation. After 2025-25, the increases assume 2% inflation each year. This could change because inflation will be based on the CPIH inflation figures published by the Office for National Statistics at the time. Prices can also be affected by ODIs and other regulatory incentive mechanisms.

# TRANSFORMING FOR FUTURE DELIVERY

During 2025-30 we will deliver our largest ever investment programme, at £377m, including £115m of enhancement investment. We invested £11m of transitional funding in 2024-25 to prepare our business for this step change.

To empower our business to deliver at this scale we are transforming and developing significant new capabilities. During the year, we established a transformation office to oversee eight strategic programmes to make the necessary changes for us to deliver:

1. Investment plan delivery/supply chain
2. Organisation design
3. Reducing demand
4. Price Review 29, Long-Term Delivery Strategy and Water Resources Management Plan
5. Leakage improvements
6. IT core systems transformation
7. IT security and resilience
8. New head office

Investment plan delivery and organisation design workstreams look to make sure we have the right people and partners to deliver our plan. Our IT and head office programmes look to make sure we have the right environment and technologies to drive performance and productivity while mitigating against evolving threats from cyber attacks.

Our reducing demand and leakage programmes oversee the investment, communications and business change required to reduce water use and protect the environment, while our PR29 programme makes sure we have the right capability to plan for the future.



## Our people

We established an Asset Management Directorate for the first time in our history, in recognition of the size of the investments we will be undertaking. We appointed an experienced senior management team and continue to expand our capital delivery team.

As the scale we operate at is increasing, we are developing greater workforce resilience and adaptability. So we are engaging with our people to share our strategic direction and the outcomes we need to achieve together. To support this, every employee attended a 2025-30 strategy overview session during the year with our executive team.

## Our technology

Utilising technology effectively is key to delivering effectively and efficiently and we continued to upgrade our systems during 2024-25. Key initiatives included:

- further embedding our new decision support tool, Copperleaf, enabling us to more effectively prioritise investment, based on a more holistic consideration of the benefits
- introducing the new Kraken Customer Relationship Management platform, which lays the foundation for the rollout of our smart water meter programme (see page 67)

## Our supply chain partners

Engaging key strategic and specialist partners is instrumental to delivering our programme over the next five years. During 2024-25 we tendered key supply contracts for meter installation and network repairs, meter supply and meter data provision, non-infrastructure construction and professional services.



# SUSTAINABILITY

In this section we set out our activities during the year with a focus on the positive impacts for our environment and society which lay the foundations for long-term value.

# SUSTAINABILITY OVERVIEW

Our role as a community-based water services provider brings with it serious responsibilities – to the environment, to the communities we serve and to the principles of good governance which underpin trust and long-term resilience. As the impacts of climate change, population growth and regulatory expectations intensify, embedding Environmental, Social and Governance (ESG) principles across our operations is not only a strategic imperative but a moral obligation.

This section outlines our continued commitment to delivering safe, sustainable and affordable water services while actively reducing our environmental footprint, supporting inclusive and thriving communities and maintaining transparency and accountability.

In the face of complex challenges – from reducing carbon emissions and protecting natural ecosystems to ensuring affordability and fairness for customers – our ESG framework will help guide decisions which create sustainable value for everyone.

Our vision and values are aligned with the United Nations’ Sustainable Development Goals – a set of 17 interlinked objectives used globally. We believe it is important to demonstrate how we will play our part in contributing and delivering these aims.

We are at an early stage in our journey and we know there is much more to do fulfil our ambitions. Our investment in the next five years and beyond will enable us to continue building a water company which can operate in a resilient, responsible and sustainable manner.

We have amended our articles of association to explicitly add an objective around customers, society and the environment. This followed a challenge to the whole industry by the Secretary of State and we were happy to support the initiative.

We established an Environment, Social, Governance (ESG) committee in 2024-25 to make sure we give strategic focus and direction to sustainability matters at Executive and Board level. It will oversee policy and compliance in these areas and has overall accountability for our Sustainability Strategy.

Next year we will produce a separate Annual Sustainability Report, which will include our performance against long-term ESG goals. The ESG committee will monitor our performance to maximise the opportunities to increase both public and shareholder value and enhance outcomes for our customers, communities and natural environment.

We have a set of ESG performance targets which are reflected in our business plan and the ESG committee will help enhance and evolve our KPIs as we move into our 2025-30 delivery period. We continue to take action to mitigate our impact on climate change. At the same time we must consider how we can adapt to climate change through resilience planning as this is one of the most material risks we need to address. We published the 4th version of our **Climate Change Adaptation Report** in December 2024. It sets out how we will adapt to a changing climate so we can continue to:

- Provide safe and sufficient public water supply
- Be resilient to natural hazards
- Protect the environment and support biodiversity.

The illustration on the next page shows the wider topics we have considered in our ESG reporting and where these sit within the three key areas. This is based on insights and learning from our customers and communities and aligns with our outcomes, what we measure and how we report to Ofwat’s six principles of public value and the United Nations Sustainable Development Goals. In this section, we will cover Environmental and Social in more detail, with Governance covered in the Governance section on page 100. We will continue to engage with our stakeholders to make sure we capture and prioritise the most material issues we need to address.

Links to Sustainable Development Goals

15 LIFE ON LAND

14 LIFE BELOW WATER

13 CLIMATE ACTION

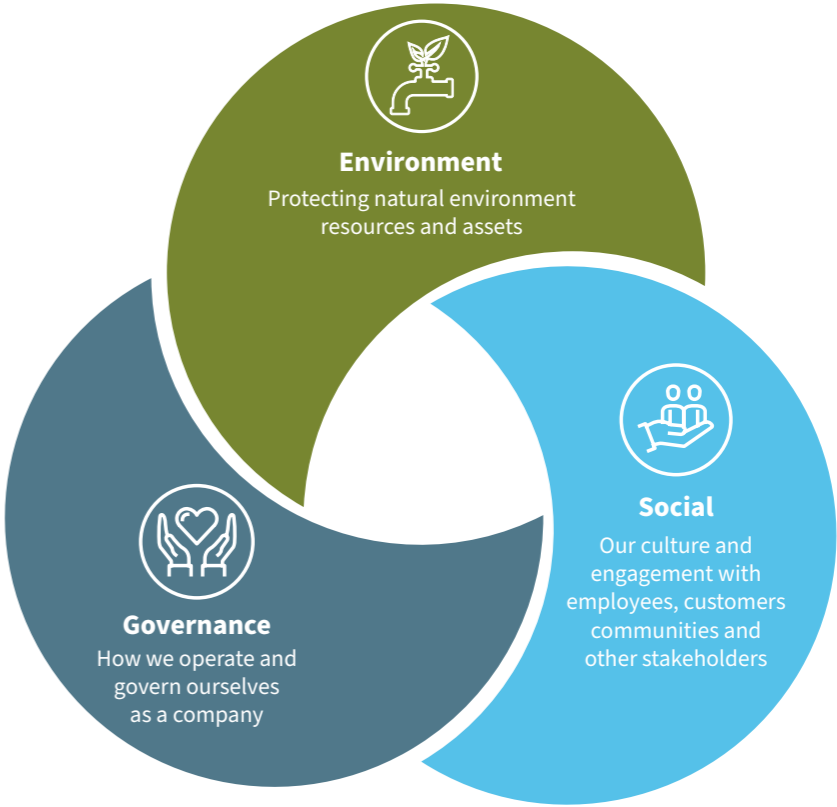
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

17 PARTNERSHIPS FOR THE GOALS

6 CLEAN WATER AND SANITATION

- Resilient and reliable supplies
- Water demand targets
- Climate Change adaptation and resilience
- Supply chain and carbon accounting
- Water quality
- PFAS

- Sustainable abstraction
- Net Zero Strategy
- Biodiversity and land management
- Solar energy generation
- Energy efficiency programmes
- GHG reporting



- Transparency
  - Enterprise Risk Management
  - Cyber security
  - Code of Conduct and anti-bribery and corruption
  - Modern slavery and human trafficking
  - Data protection and privacy
  - Procurement
  - Board composition and independence
  - Committees’ composition and independence
  - Executive compensation

Links to Sustainable Development Goals

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

10 REDUCED INEQUALITIES

- H&S and wellbeing
  - Affordability and cost of living social tariffs
  - Stakeholder engagement
  - Community partnerships
  - Customer satisfaction C-MeX
  - Developer satisfaction D-MeX
  - Grants to community groups
  - Employee engagement surveys
  - Equity, diversity and inclusion
  - Employee volunteering
  - Supply chain and apprenticeships

Links to Sustainable Development Goals

8 DECENT WORK AND ECONOMIC GROWTH

5 GENDER EQUALITY

17 PARTNERSHIPS FOR THE GOALS

3 GOOD HEALTH AND WELL-BEING

10 REDUCED INEQUALITIES

6 CLEAN WATER AND SANITATION

Find out more about the Sustainability Development Goals at [sdgs.un.org/goals](https://sdgs.un.org/goals).

# MITIGATING THE IMPACT OF CLIMATE CHANGE

As custodians of one of the UK’s most vital natural resources, we recognise that environmental stewardship lies at the heart of our purpose. Water is inseparable from the health of our rivers, seas, landscapes and climate. That’s why we must prioritise environmental action – from cutting carbon emissions to enhancing biodiversity, promoting water efficiency and creating more sustainable water resources.

Climate change affects how much water we have available for supply, how much people and businesses use, the quality of the water we abstract and the resilience of our assets. We recognise that understanding and adaptively planning for climate change is an important part of our long-term strategic approach to maintaining high levels of service. Our customers, regulators and the wider community expect us to address the challenges we face. That means reducing our carbon emissions, making sure we protect our local environment and adapting to increasingly extreme weather.

## Mitigating the impact of climate change

OUR PERFORMANCE 2024-25

**Carbon:** percentage reduction in net annual operational greenhouse gas emissions (kilograms carbon equivalent per million litres of water)

target of <-5%

-19%

Percentage of renewable electricity generated  
7%

Percentage of energy purchased from renewable sources  
100%

Operational Carbon (tCO2e) emissions  
6,052 tCO2e  
19% reduction in last five years



We have set a target of net zero by 2040 for our operational carbon emissions\*. This is embedded in our Long-Term Delivery Strategy for 2025-2050.

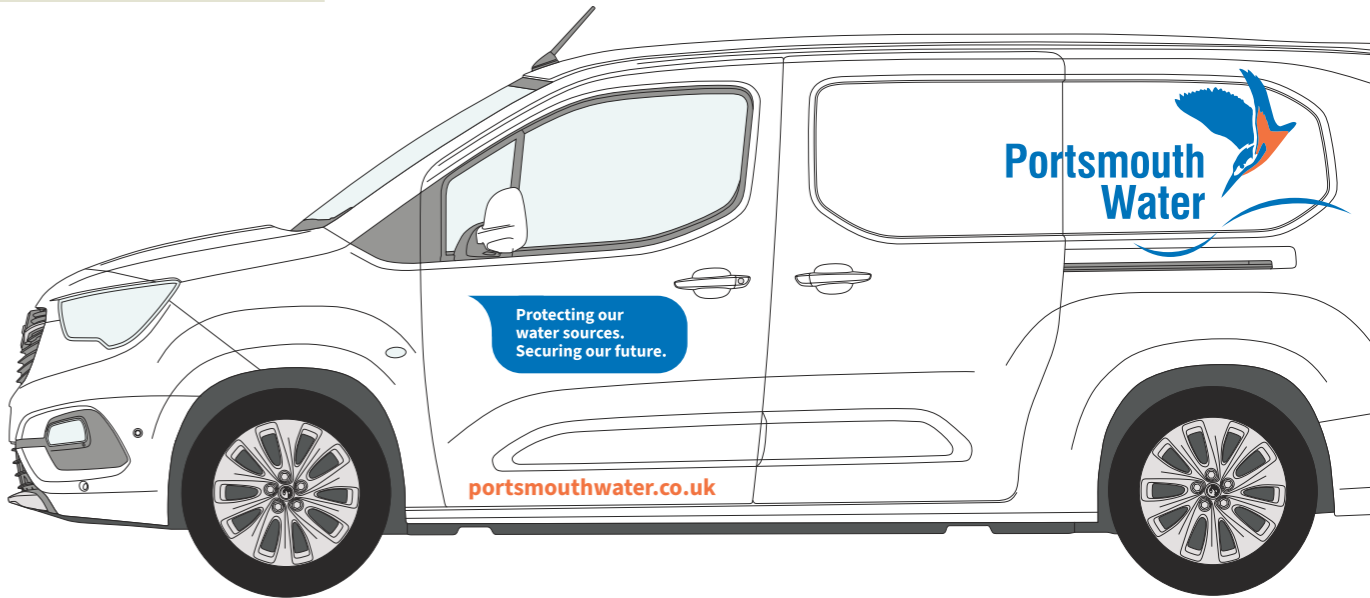
The development of our carbon net zero roadmap highlights some of the key deliverables over the next five years to reduce our carbon emissions. These include:

- Reducing leakage and customer demand for water so we use less energy and chemicals to treat and pump water into supply
- Installing more renewable energy schemes, particularly solar and battery storage
- Optimising energy efficiency at our operational sites and offices
- Converting our fleet to electric vehicles
- Continuing to purchase energy from renewable sources.

The graph and table of operational carbon emissions reported on the next pages use the water industry Carbon Accounting Workbook (CAW). We use a set version in the graph (CAW v14) to report net emissions against our Ofwat ODI target. The table uses the CAW which is updated on a yearly basis. Our gross operational emissions in 2024-25 based on CAW v19 were 6,052 tCO2e, broadly similar to the prior year. During 2020-25 this represents a 19% reduction.

In 2024-25, we saw a slight increase in our net operational carbon emissions, despite increasing the amount of renewable energy we generated by 60%. This was mainly due to using more energy to enhance our treatment processes and an increase in reported carbon emissions from our in-house and supply chain fleet.

As we move into our 2025-30 investment period, we plan to implement a strategy to drive down the emissions currently related to our diesel vehicles. Our Fleet Strategy is in development and considers options that include moving to EV and hybrid vehicles, as well as replacing diesel fuel with Hydrogenated Vegetable Oil if we can secure a verified sustainable source. We have also submitted our Energy Saving Opportunity Scheme (ESOS) action plan to the Environment Agency which sets out site-based operational energy efficiency projects with the potential to reduce carbon emissions by more than 800 tonnes per year.



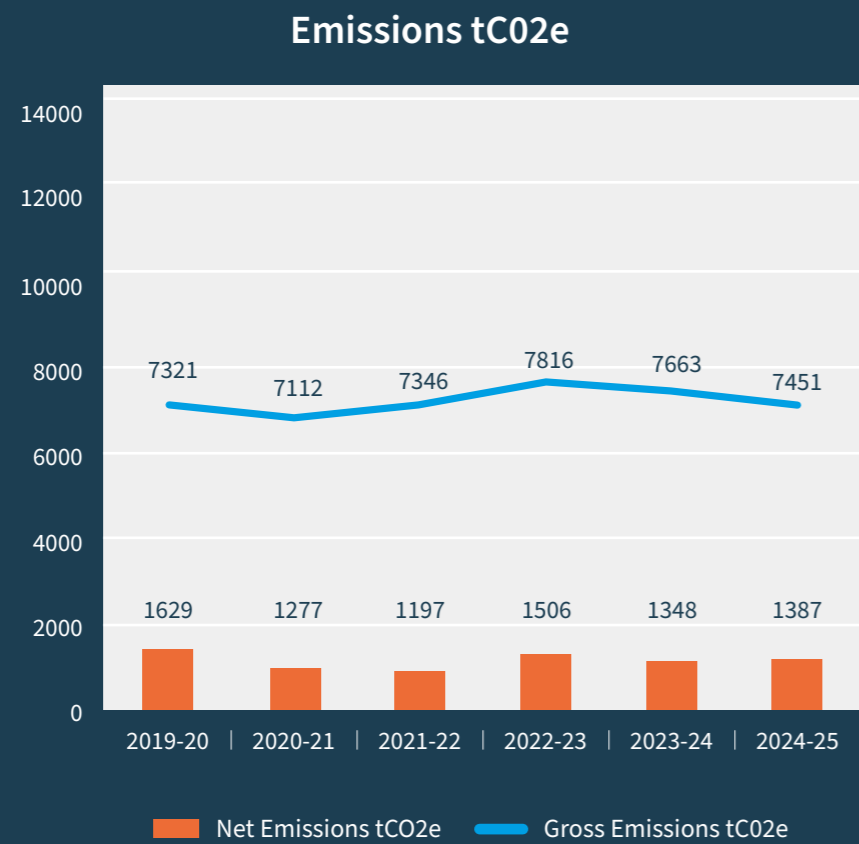
\*Based on Ofwat methodology.

# MITIGATING THE IMPACT OF CLIMATE CHANGE

The graph below shows our greenhouse gas emissions based on the Carbon Accounting Workbook v14 from 2019-20. This follows the ODI methodology used to calculate the percentage reduction in emissions per million litres of water. It does not include emissions associated with use of chemicals or the reduction in emissions associated with the export renewable energy we generate. The table on the opposite page is also based on CAW but takes account of updated versions since 2019-20, which reflect changes to emission factors.

Historically across England and Wales we have the lowest carbon intensity per litre of water supplied to customers and we expect to maintain this position.

## Gross and net operational emissions per million litres of water



## Greenhouse Gas emissions and intensity ratio

### Carbon Emissions Table (2020-25)

kWh Energy Consumed	2020-21	2021-22	2022-23	2023-24	2024-25
Electricity	23,300,000	24,184,104	24,687,573	22,122,762	22,374,932
Natural Gas	717,000	634,864	945,699	661,000	613,985
Gas Oil	320,143	124,464	247,193	178,977	151,028
Transport	786,200	857,089	776,542	828,087	871,510
Total	25,123,343	25,800,521	26,657,007	23,790,826	24,011,456

tCO <sup>2</sup> e Emitted	2020-21	2021-22	2022-23	2023-24	2024-25
Scope 1	530	502	735	551	521
Scope 2 (LB)	5,440	5,108	4,774	4,581	4,633
Scope 3	1,535	1,004	1,143	978	898
Total (Scope 1 and 2)	5,970	5,610	5,509	5,132	5,154
Total (Scope 1, 2 and 3)	7,505	6,614	6,652	6,110	6,052

Volume of Water (ML/year)	2020-21	2021-22	2022-23	2023-24	2024-25
Total	67,700	67,157	70,143	67,716	68,398

Intensity Ratio (tCO <sup>2</sup> e/ML)	2020-21	2021-22	2022-23	2023-24	2024-25
tCO <sub>2</sub> e/ML	0.1109	0.0985	0.0948	0.0902	0.0885
tCO <sub>2</sub> e/£m revenue	179	155	146	128	122

# MITIGATING THE IMPACT OF CLIMATE CHANGE

RENEWABLE ENERGY

In 2024-25 we generated significantly more energy from solar, with the total annual electricity generated from our solar assets increasing from 1GWh (2023-24) to 1.6GWh (an increase of 60%).

This was achieved through a combination of:

- maintaining and repairing our legacy solar assets, which were installed in 2011, including installing new inverters and repairing damaged and faulty panels
- gaining the full year benefits of new solar assets brought into operation in 2024.

Solar renewable generation now accounts for 7% of our total annual demand, peaking at 11% during the key summer months of June to August.

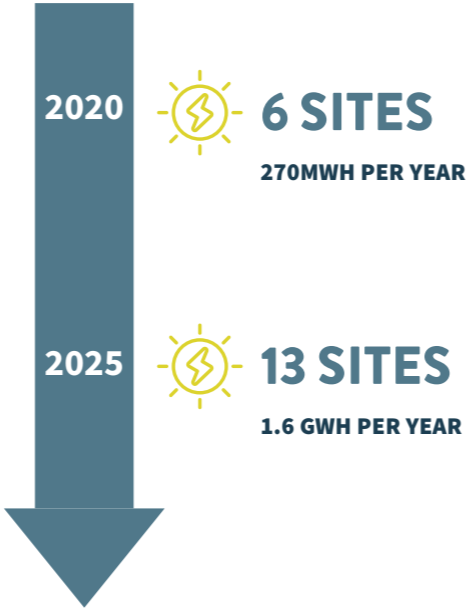
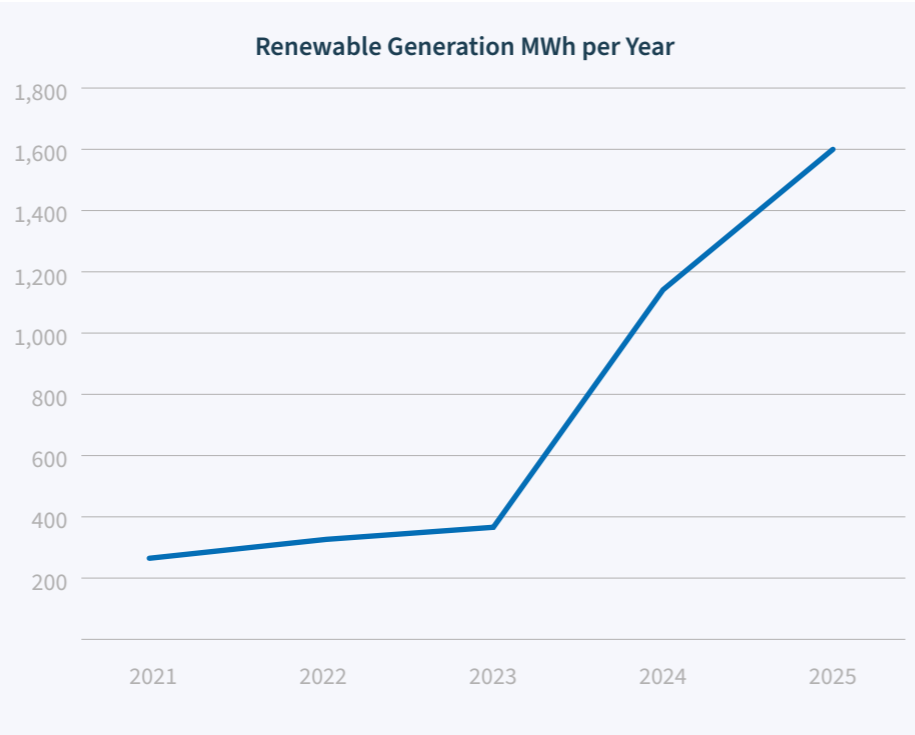
We have an ongoing programme of investment in solar assets to 2026, which will see a further 990KWp of new assets at three of our sites, increasing our capacity to 2.2Gwh per year. In addition, we have planning consent for a large rooftop array to be added to a water supply works, which will deliver a further 2GWh of net zero energy via a Power Purchase Agreement (PPA).

This development will include battery storage, which will increase the usefulness of the energy generated and allow a greater degree of flexibility over when the energy is used across the site.

Overall, this will bring our total renewable energy generating capacity to 4.2GWh by the end of 2026, representing 17% of total demand and reducing our total CO2 emissions by 1,533KgCO2e (based on the Ofwat grid factor of 365gCO2e saved per KWh of renewable energy).

We are also working with a developer to build a large-scale battery at one of our sites in Havant. We have submitted plans for a three-hour 50WM Battery Energy Storage System (BESS) which will allow us to store off-peak and solar-generated energy to be used at times of peak demand. It will also support the local community, as well as our adjacent pumps and treatment works. We hope to gain planning permission in the summer of 2025 and develop the site in 2026.

Overall, between 2020 and 2025, we have seen a marked increase in our generation of renewable electricity but we recognise there is more for us to do. We continue to explore opportunities to develop renewable energy schemes over the next five years at a scale that will help meet our net zero ambitions.



WELBOURNE GARDEN VILLAGE – NEXT STEPS

We have continued our work with Welborne Garden Village to construct a large heat exchanger to generate heat from spring water and transfer it to an ambient districting heating loop to supply a new development being built near Fareham. More properties will be constructed and added to the loop, and we hope eventually up to 6,000 properties will have their heating and hot water supplied.



EMBODIED CARBON

– HAVANT THICKET RESERVOIR

We also consider embodied carbon from our wider activities, for example delivering capital projects.

In line with Ofwat’s reporting requirements we have calculated the cradle-to-build emissions for our largest capital project, Havant Thicket Reservoir. Cradle-to-build refers to the lifecycle of a product or project, from its initial concept (the cradle) through to its construction or completion (the build). This means we can understand the emissions from raw material extraction, manufacturing, transport to site and construction activities.

Due to its scale, the construction of Havant Thicket Reservoir dominates carbon emissions related to our capital projects.

We have implemented an Integrated Carbon Management Plan to align our carbon reporting with our construction partners.

This is an important development in our embodied carbon reporting as we align the project with PAS 2080, a publicly available specification developed by the British Standards Institution (BSI) that provides a consistent framework for managing carbon emissions across infrastructure projects.

We moved into the construction phase in earnest at Havant Thicket Reservoir this year and we will track actual embodied carbon against our design forecast. The reservoir construction has been designed to use materials from the site where possible to minimise import of materials.

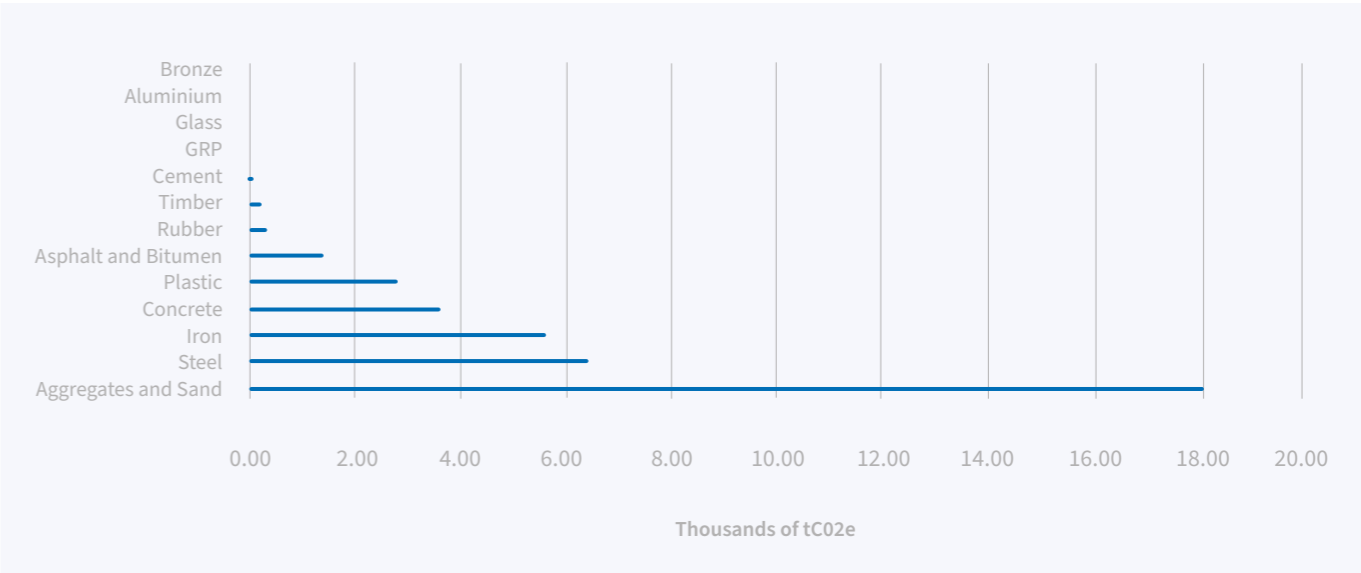
The chart below provides an estimate at design stage of embodied carbon for the project by materials used, highlighting which materials are most carbon intensive.

Construction-related emissions, particularly those associated with fuel consumption for machinery, vehicles, and equipment, amount to approximately 68,000 tCO2e, representing around 55% of the total project emissions (125,000 tCO2e).

We are reviewing the option to use Hydrogenated Vegetable Oil (HVO) during construction and for other operational activities. We are yet to make the switch from diesel, due to concerns about the supply chain and the materials used to manufacture HVO.

Our main construction partners continue to develop the methodology to calculate embodied carbon during construction and this will be reported next year.

Construction Material Carbon Emissions (tCO2e)



# SUSTAINABLE WATER

OUR PERFORMANCE 2024-25

**Avoidance of water supply restrictions:** Temporary Use Bans in line with our drought plan

target of no restrictions

No restrictions in 2024-25

**Abstraction Incentive Mechanism (AIM):** volume of water abstracted when flows on the River Hamble are low

target of no water abstracted

No water abstracted



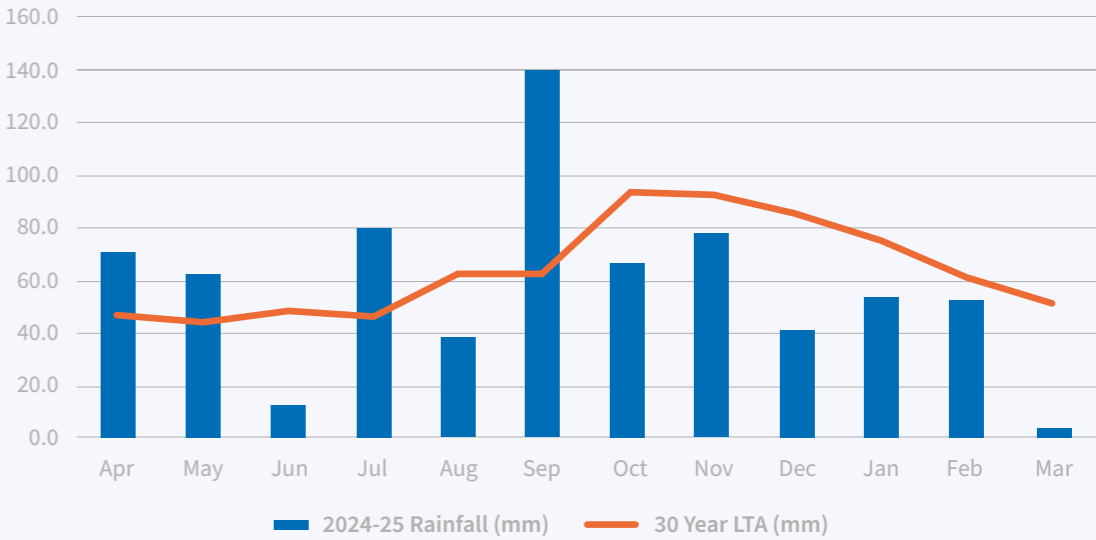
As a company we take care of a resource essential to life, securing and delivering water supplies which are high quality, reliable and sustainable. A growing population, increasing weather extremes – such as extended periods of hot weather – and the need to protect sensitive chalk stream habitats means we must adjust our sources of water to guarantee we can supply everyone for generations to come.

Last year was the driest we have seen since 2018-19, with the total recorded rainfall nearly 10% less than the 30-year long-term average (LTA). However, as the consecutive dry months occurred after the peak demand in the summer, there was no significant pressure on our ability to maintain reliable supplies to our customers with no Temporary Use Bans (TUBs) - commonly referred to as hosepipe bans.

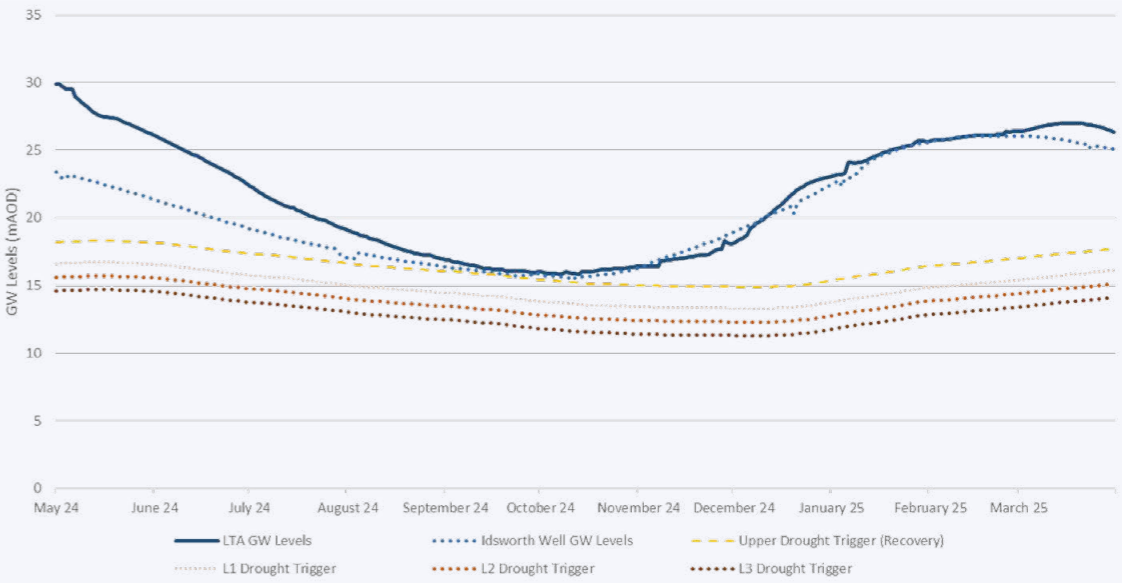
We get most of our water for supply from the chalk aquifer underneath the South Downs. The volume of rain we received during the previous year meant we started 2024-25 with well above average groundwater levels for supply, which supported us during the drier summer months. Then significant rainfall in September meant we were able to maintain levels very close to or just above the LTA for the rest of the year.

This also meant we met our Abstraction Incentive Mechanism target to not abstract water from a key point on the River Hamble when flows are low.

Total Monthly Rainfall 2024-25



Idsworth Well Groundwater Levels & Drought Trigger Levels



# SUSTAINABLE WATER



OUR PERFORMANCE 2024-25

Risk of severe restrictions in a drought: percentage of customers at risk of experiencing severe restrictions in a 1-in-200 year drought on average over 25 years

target of 32%

88%

### Delivering our Water Resources Management Plan

Our Water Resources Management Plan (WRMP) is updated every five years to make sure we use the latest knowledge and technology to secure resilient supplies for our customers in the future, while protecting and improving our environment. We published our final updated WRMP in October 2024 and will continue delivery of the actions outlined in this latest plan for 2025-2050.

Our plan describes how we will meet the increasing demands for water arising from population growth, climate change and tightening environmental requirements. We have made significant progress on delivering Havant Thicket Reservoir this year (see page 50) and installations have started in our programme to deliver 170,000 smart water meters for our customers (see page 44).

Our plan also requires us to make sure sufficient water is available for our customers in extreme droughts. This is planned through an ambitious programme of reducing leaks from our network and helping our customers use less water. In our final WRMP, we plan to reduce the likelihood of emergency drought restrictions such as standpipes to once every 500 years on average after 2039.

Our performance target for the percentage of customers at risk of experiencing severe restrictions in a 1-in-200 year drought (on average over 25 years) in 2024-25 was 32%. The percentage we recorded for the year was 88%. This has been largely driven by the challenges in reducing leakage, some sites not being available continually and the challenge of reducing household water use. We have ambitious plans to address this and reduce water use and leakage in our next five-year period, as outlined further in this report.



# OUR SMART WATER METER PROGRAMME



Installing smart water meters for our customers is central to our plans to secure long-term water resources, as well as protect our local environment.

We're investing £63 million to install smart water meters for all the homes and businesses we supply by 2035, with 170,000 new meters installed by 2030. New meters will connect our customers with their water use and help them take control of it as we start to share meaningful data with them.

In 2024-25 we laid the foundations to start delivery of the programme in earnest in 2025-26. This included:

- Implementation and integration of the Kraken Customer Relationship Management (CRM) platform which is the foundation of our smart systems (see page 67)
- IT solutions to capture and process the data from the smart network to our customers
- Development of contracts to deliver the many elements of the programme
- A pilot with 500 customers.

### SMART WATER METER PILOT

We carried out an initial pilot to install smart water meters at the homes of 500 customers on the outskirts of Portsmouth.

We engaged the local community through in-person events, social channels, the media, direct mail and tailored letters. This helped prepare customers for their smart water meter and informed them about the benefits. These customers were already metered and we switched their old water meters to smart ones.

The pilot also gave us valuable insight into how to manage a smart water meter network, the data the meters provide and where we can improve our processes. We are carrying out further pilots in 2025, with unmetered households, before rollout starts in earnest in 2026.

### SMART INSIGHTS

The pilot demonstrated our ability to recognise leakage, high water use and customers who may need additional support.

We found 33 leaks during the pilot, with 20 resolved during a short timescale when known about by householders. We were able to proactively engage customers, notify them of a potential leak and support them to act.

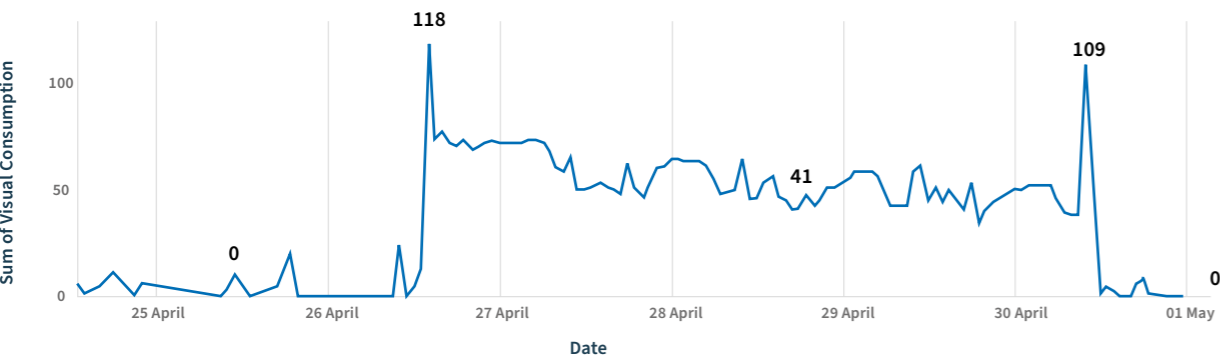
We also identified several customers whose water use was beyond a normal range. We proactively engaged with these customers to identify opportunities to reduce their consumption and support them to understand their water use in more detail.

### SUCCESS STORIES

During the pilot, one customer's leak alarm was activated when the smart water meter recorded continuous water flow, even at night when there are usually periods of no water use. Upon investigation, they discovered a leak in their toilet, which was then repaired.

Another customer's leak alarm was triggered when the water use shot up from an average of 80 litres a day, to 1,300 litres a day, with continuous flow. Our teams attempted to contact the customer but when they received no response they visited in person, due to the age of the customer (95) and the volume of the water. They discovered an outside tap had been left on unnoticed and they were able to alert the customer and stop the water loss.

Example of smart water meter pilot household water use



The graph shows the water flow recorded when an outside tap was accidentally left on.



# SUSTAINABLE WATER

## Reducing leakage

OUR PERFORMANCE 2024-25

Total leakage:  
(including customer supply pipe leakage)  
on a three-year average

target of 24.1 million litres of water  
per day

29.5 million litres of water per day



We know reducing leaks is a priority for our customers. As we continue to ask customers to increase water efficiency, we recognise the importance of prioritising leakage across our network. We are therefore disappointed we did not meet our three-year average leakage target in 2024-25 and we are determined to recover our leakage performance.

Our leakage target is measured on a three-year rolling average, to even out fluctuations in weather which can affect how our pipes behave. In 2024-25 our three-year average performance for leakage was 29.5 million litres per day compared to our target of 24.1 million litres per day.

This compares to 29.1 million litres in 2023-24. It means we will incur a financial penalty of -£0.86m.

Dry summers and harsh winters, as we experienced in 2022, can place significant stress on our assets and unfortunately these are becoming more frequent due to climate change. Our leakage from 2022 continues to affect our three-year average performance.

Our current performance is not where it needs to be, despite having reduced leakage by 1% from the previous year.

We continued delivery of the leakage Recovery Action Plan put in place in 2023, which supported the reductions this year compared to last. The plan states how we will:

- reduce how much our network leaks, preventing leakage breakout
- reduce the volumes lost when our network does leak
- find leaks as quickly as possible, as many are not visible on the surface
- find leaks on the parts of our network which are traditionally more challenging to identify, especially on plastic pipes
- find innovative new ways to repair our network more efficiently, including considering no-dig and low-dig technologies
- help our customers identify and repair leaks on their assets, alongside supporting them to use and waste less water
- correctly incentivise our supply chain to help drive performance and efficiency.



During 2024-25 we increased the number and type of sensors which inform us when there is a problem with our network operation. We installed an additional 25 District Metered Areas – where we monitor flow into specific areas of our network to help us understand flow patterns. In addition, we laid 12.1km of new mains to replace pipes which had come to the end of their life.

Where appropriate, we actively manage the pressure in our network to make sure our customers have enough to meet their needs, but not too much to unduly stress our assets. We have recently serviced and maintained more than 90% of the valves which help us do this and installed an additional 10 new pressure reducing valves.

As mentioned on page 44, as the rollout of our customer smart water metering programme gathers pace, this will also allow us to identify leaks more quickly, both on our own network and within our customers' properties.

We continue to investigate new technologies to locate leaks quicker so we can fix them faster.

We know every time we repair a leak, there is an impact on customers and the public, so we are also consistently exploring innovation in repairs with minimal or no excavations.

Within the year we also continued to build the skills and capabilities of our dedicated teams, working round the clock to operate and manage our network. We have made sure they have the equipment and the training to do their jobs effectively and we accelerated our apprenticeship programme.

Looking ahead, our target is to reduce leakage by more than 28% by 2030, equivalent to a three-year rolling average of 21.1 million litres per day. We will deliver this through mains replacement, enhancing our network of fixed detection sensors, improving our leakage data, deploying industry-leading solutions to finding difficult to locate leaks, and reducing leaks on our customers' supply pipes.

Reducing leakage leads to reduced greenhouse gas emissions, as we will need less energy and less chemicals to treat water, so our long-term targets are also an important part of our net zero goals.



SUSTAINABLE WATER

Demand management

OUR PERFORMANCE 2024-25

Average water use per customer:  
Per Capita Consumption (PCC) on a three-year average

target of 139.9 litres per person per day

155.6 litres per person per day

To help reduce the amount of water we abstract from the environment we are supporting our customers to reduce their water use.

We measure water use in litres per person per day and, like leakage, our target is a three-year average to even out the impact of weather. Our three-year average performance for 2024-25 was 155.6 litres per person per day, compared to our target of 139.9. In 2023-24 it was 155.7.

The increase from the previous year is largely attributable to re-calculating the population figures we use in the calculation and increases in the amount of water used by metered customers.

Our customers’ water use is also above the national average of 137 litres per person per day (three-year rolling average in 2023-24). Our focus over the next 10 years is support our customers to use less water through our smart water metering programme (see page 44) to help us make the most of the water we have.

In addition to the 500 smart water meters we installed in our pilot, we also invested £1.2 million to install 3,852 meters for households who requested to move to metered charges, when there was a change of occupier or in empty properties.

During the year we continued to promote water efficiency through our GetWaterFit platform with free water-saving devices, advice and challenges. 1,565 new customers engaged with the platform, and 1,004 took advantage of retrofit devices, with a potential saving of 1.9 million litres of water each year.

We increased the promotion of water efficiency on our own website, increasing customer visits by 94% to this section. We also shared more information about rainfall and groundwater levels on social media to raise awareness of water resources and its impact, increasing our followers by more than 20%.



# HAVANT THICKET RESERVOIR PROJECT

## OUR PERFORMANCE 2024-25

### Havant Thicket Reservoir:

We had no performance target within 2020-25 for the reservoir.

We are delivering the first major new UK reservoir in a generation in partnership with Southern Water, to secure vital new water storage resources for the wider South East.

During 2024-25 we continued to make good progress on the delivery of Havant Thicket Reservoir.

Havant Thicket Reservoir is an environmentally-led project and will help protect world-renowned chalk streams in Hampshire by supporting Southern Water to reduce its abstraction from the River Test and River Itchen.

During the year, we completed enabling works at the reservoir site, constructing haul roads, drainage systems and stockpiling the material needed for construction to begin. In September 2024 we held our ground-breaking ceremony and in March 2025 we started the 'big build' phase of the project.

During 2024-25 we progressed the detailed design for the reservoir, secured full and detailed planning permission for the embankment and wetland areas, and held a public consultation on the design of facilities at the nearby water treatment works.



Construction of the reservoir main embankment started in March 2025

## THE WETLAND

We were very pleased our Havant Thicket Reservoir wetland applications were approved by Havant Borough Council and East Hampshire District Council, with the submitted design going above and beyond the requirements of our Outline Masterplan which was approved in 2021.

The creation of a new, high-quality and biodiverse wetland is a fundamental aspect of the project and securing planning approval was a vital first step in enabling work to begin to create this important habitat. Our applications benefitted from extensive pre-application engagement with stakeholders, including representatives from the reservoir Stakeholder Advisory Group and 16 weeks of review during the planning determination. We submitted a 'You said, we did' feedback report as part of our applications and published it in March 2024.

The applications received no objections from environmental statutory consultees, were supported by the Havant Borough Council ecologist and recommended for approval by the planning officers.

Following our application, some stakeholders expressed concern about elements of the design, particularly the inclusion of raised landforms. So, we provided a further briefing session to present the approved design in further detail to stakeholders and respond to their queries and comments.

As is usual, having received planning approval for the wetland design, we are now progressing the detailed drawings for construction and landscaping. We are using this time to reflect on the feedback, including comments about the five raised landforms in the wetland compartments. We are reviewing whether the landforms can be reduced in height, while still delivering the benefits they are intended to provide. We provided a written update to stakeholders in May 2025.

## OUR ENVIRONMENTAL COMMITMENTS

As well as protecting globally-rare chalk streams, the reservoir project will deliver a net gain to wildlife habitats. Our environmental commitments include creating and improving more than 200 hectares of woodland and wood pasture, an area the size of nearly 300 football pitches.

During 2024-25, we completed the first of several watercourse enhancement projects, which will improve more than 5km of streams in the local area. We have also been working with partners to improve biodiversity in Southleigh Forest and Havant Thicket, while progressing the re-wilding of 80 hectares of agricultural land.



## FIND OUT MORE ABOUT THE RESERVOIR IN THIS REPORT:

- Page 39 for the carbon considerations
- Page 80 for community engagement
- Page 82 for the investment the reservoir is creating

**HAMPSHIRE WATER TRANSFER AND WATER RECYCLING PROJECT**

As well as addressing demand management, water companies in the South East need to find new sources of water to support population growth and reduce the amount of water we abstract from the environment to protect habitats.

We have been supporting Southern Water to develop its proposal for the Hampshire Water Transfer and Water Recycling Project, to increase the resilience of supplies in Hampshire and further protect the county's chalk streams.

The project would introduce highly-treated, recycled wastewater to the reservoir and include a pipe to transfer water directly from the reservoir to Southern Water's treatment works in Hampshire.

Southern Water has been consulting on its plans and is preparing a planning application. We have agreed changes to our reservoir, which will increase the resilience of our current design and make sure the reservoir is future proofed, principally increasing our planned pipeline to two pipelines, to allow greater flexibility and volume of water transfers.

During the year, we developed the design of these changes and submitted a planning application for our new 'dual pipeline'. The changes will delay completion of the reservoir by three years and will increase the cost. However, by carrying out this work now, rather than later, we can significantly reduce the carbon impact, disruption to our local community and the cost to Southern Water customers. We are in dialogue with Ofwat and Southern Water to agree funding for the changes in scope through a Cost Adjustment Mechanism to the business plan process for 2025-30.



# WATER QUALITY AND RELIABILITY OF SUPPLIES

OUR PERFORMANCE 2024-25

**Water quality standards (Compliance Risk Index):** number of compliance failures weighted against the number of properties affected

target of less than 2

✓

0.5

**Water quality contacts from customers:** number of contacts per 1,000 customers

target of less than 4.1

✗

4.9

**Mains repairs:** number of repairs per 1,000km of network

target of less than 68.6

✓

66.8

**Interruptions to supply:** average time per customer

target of less than 5 minutes

✓

2 minutes 1 second

**Unplanned outage:** loss of production capacity weighted against duration of days

target of less than 2.34%

✓

0.83%

**Low pressure:** number of properties with low water pressure or risk of low pressure

target of 18

✓

14

**Delivery of resilience schemes in 2020-25:** to ensure peak demands can be met

target of 100%

✗

67%, two out of three schemes

**Voids:** number of void households as percentage of households supplied

target of less than 2

✗

2.32%

A continuous supply of high-quality, reliable water is our core service for customers and one we have been proud to deliver in our local community for more than 160 years. We want our customers to trust us to provide a high-quality water supply that’s wholesome, safe and always there when they need it. The reliability and quality of our supply is measured in a series of performance commitments, as outlined above. We met five of these eight performance commitments during 2024-25.

## Water quality

The key performance commitment for drinking water quality is the Compliance Risk Index (CRI), which is measured from January to December.

This is a measure developed by the Drinking Water Inspectorate, which considers the nature of any failures in water quality and the scale of risk to customers. Our target is a score of less than two. We incur penalties for a score above two.

We were very pleased to score 0.5 in 2024, a significant improvement on the previous year when we had a score of 15.6 due to challenges with sampling equipment.

As well as CRI, we also monitor the number of contacts we receive from customers about the taste, odour or discolouration of their water and illness. We measure the number of contacts per 1,000 population served during a calendar year. In 2024 we received 0.49 (2023: 0.42) contacts per 1,000 population.

Although this was above our target of 0.42, we maintained our position as having among the lowest rate of contacts in the industry.

We saw an increase in contacts about water quality following an outbreak of Cryptosporidium in Devon, in South West Water’s supply area, which was highlighted in posts on social media in our area. Misinformation arose as Hillhead was referenced in reports on the Devon incident and confused with Hill Head in Hampshire. Posts expressing concern about wastewater and drinking water also prompted further water quality contacts.

Other water quality contacts were around discolouration and air in water, following planned improvement works on our network and we are taking steps to learn from these planned events.

In the future, we plan to invest around £30m in 2025-30 to make sure our water treatment works remain resilient, address deterioration in the quality of the raw water we abstract and replace more of our lead pipes.

## Reliability

A reliable, constant supply of water is one of our customers’ highest priorities and we know interruptions to supply can be very disruptive for homes and businesses. We are delighted to have improved further on our already industry-leading position in avoiding interruptions.

We measure interruptions as the total number of minutes lost per customer, not including interruptions which last for less than three hours. In 2024-25 our interruptions totalled 2 minutes, 1 second per customer.

This is the second-best performance we have achieved and significantly better than our target of no more than 5 minutes, 0 seconds. As a result of this excellent performance, we will earn a financial reward of £0.2m.

Other performance commitments we are measured against which support the reliability of our supplies round the clock include mains repairs, preventing unplanned outage, implementing resilience schemes to meet periods of high demand and avoiding low pressure for customers.

## Mains repairs

Our mains repair target is based on the number of repairs we carry out due to bursts and leaks, per 1,000km of our network. We made 66.8 repairs per 1,000km of our network in 2024-25, against a target of less than 68.6.

We experienced two extended cold periods in November and January which resulted in the need for higher levels of repairs (29 and 51 compared to a monthly average of 15) and an increased focus on locating leaks in 2025 resulted in more repairs than in 2024.

The continued delivery of our mains replacement programme, expansion of active pressure management at smaller zonal levels and our commitment to maintaining a calm network operation has helped maintain lower numbers.

Importantly, the increased volume of mains repairs to tackle more leaks did not result in a deterioration of customer service, as evidenced by our strong performance in the interruptions target mentioned above.

To maintain our performance, we are planning to replace 41km of water pipes between 2025 and 2030 to make our network more resilient, targeting the mains at highest risk of bursting. We will also continue to make sure we respond quickly and efficiently to incidents when they do happen.

## Unplanned outage

Our performance on unplanned outage at our works during the year was our best achievement during the five-year period, at 0.83% (temporary loss of peak week production capacity weighted by the duration of the loss in days, as a percentage). It was well below our target of 2.34%. Minimising the impact on sites when incidents have occurred has been the driver behind this performance to maintain reliable supplies for customers.

## Resilience schemes

Our final measure for reliable supplies, is the completion of three resilience schemes to make sure we can meet peak demand. The first scheme, installation of monitors at all our treatment works to prevent oil spillages affecting the works, was completed in 2023-24. In 2024-25 we completed our second scheme to upgrade a booster station. We have not yet completed the third scheme as it involves replacing a key water main under a junction of the M27 motorway, which carries several risks.

We have an opportunity to align this resilience scheme with road construction in the future to significantly reduce the risks involved.

## Low pressure

During the year we were also able to remove a further two properties from our low water pressure register, bringing the total down to our lowest number of 14, well below our target of 18.

## Voids

Our final performance metric reported in this section is voids. Voids are unoccupied properties, we have a commitment to make sure all occupied properties are billed. Our void performance for 2024-25 averaged 2.32%, a modest increase from 2.24% the previous year.

While this represents a slight year-on-year deterioration, we have historically performed in the top half of the sector for this measure. While comparative figures for 2024-25 are not yet available, we assume a similar relative position based on the underlying trend.

The increase this year is primarily due to reduced activity in areas which had previously supported year-on-year improvements:

- A key field partner who previously delivered on-the-ground void verification ceased this service partway through the year, reducing our ability to proactively confirm occupancy.
- We’ve maintained a strong baseline and continue to prioritise void reduction as we move into 2025-30. Our strategy includes reinstating field activity, improving data quality and ensuring customer records are kept accurate and up to date.

# CAPITAL INVESTMENTS AND EXPENDITURE

Our investment in our infrastructure supports our ability to continue to supply high-quality, reliable water and meet the impacts of climate change and growth, as well as protect the environment.

During 2024-25, our total capital expenditure was £16.7m. This investment was focused on delivering projects across multiple sites, completing our investment for the five-year period and tackling emerging needs.

Overall, we invested significantly more during the last two years of this five-year investment period, than in the final years of other five-year periods. This was partly due to the Covid-19 pandemic, which restricted the improvements we could carry out during the opening part of 2020-25. Given this restricted start, we are pleased to have delivered our plan.

## Summary of capital investment delivery

### Infrastructure (below ground)

#### MAINS RENEWAL

We renewed 12.2km of water mains at a cost of £3m during the year. Of these, 80% were installed using ‘pipe insertion’ and ‘pipe bursting’ techniques, where new pipes are inserted inside the old ones. This minimises the impact on the environment and reduces disruption for our customers.

Modelling shows our mains renewal programme has a direct benefit on reducing bursts, loss of supply and water quality incidents. Our consistent level of mains renewals has brought about a significant reduction in bursts over the last 20 years and the renewals programme represents 0.3% annually of our network by length.

### SUPPORTING GROWTH AND DEVELOPMENT (NEW AND DIVERTED MAINS)

We also installed new mains and diverted existing ones to support growth and development in the region, including:

- 2.4km of new mains installed on developer sites as network growth
- 1km of new network reinforcement mains installed to provide additional capacity to development sites
- 2.1km of mains diverted to accommodate third-party construction close to our existing mains network.

### CUSTOMER COMMUNICATIONS

To better inform road users about our work, we have been using digital messaging signage. The signage supports drivers to use alternative routes and allows us to provide other messages, such as updates on progress.



### Non-Infrastructure (above ground)

We invested £7.8m in a range of improvements at our sites where we abstract, treat and pump water, with many projects entering their final delivery and commissioning phases. The investment included electrical, mechanical and software work on our production sites as well as significant telemetry upgrades. This work safeguards the quality and reliability of our supplies.

#### STRATEGIC PRESSURE REDUCING VALVES

Pressure Reducing Valves (PRVs) allow us to manage pressure in our network, so customers get the right water pressure at their taps and we reduce the risk of leaks.

#### Hilsea

We invested £790,000 in completing the installation and commissioning of pressure reducing valves at our Hilsea site to provide resilience to 260,000 properties on Portsea Island. This will help maintain the right level of pressure in the network and support a continuous supply of water.



#### Bognor Regis

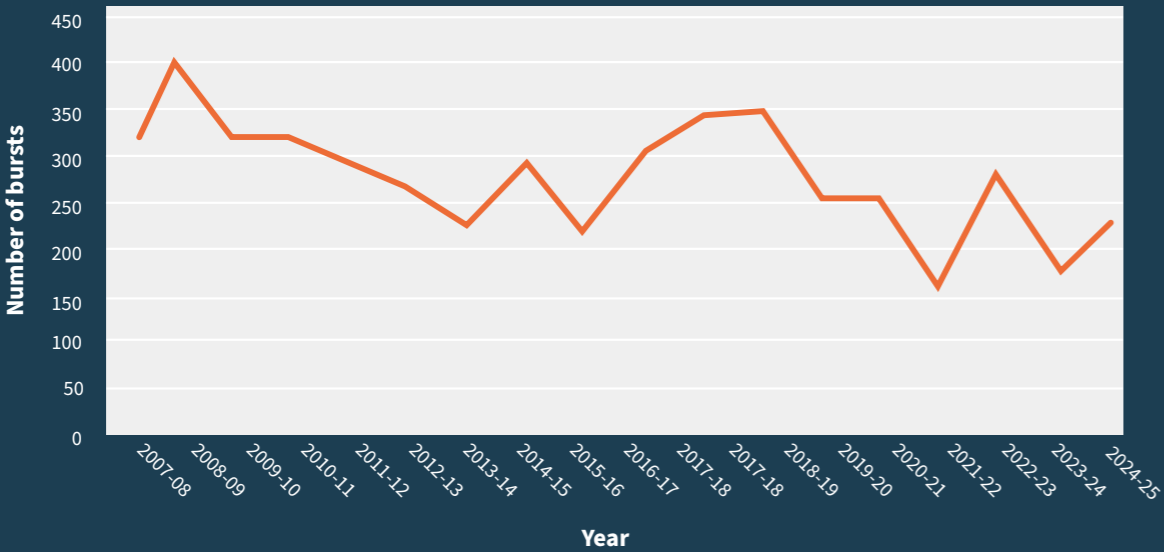
A new pressure reducing valve serving the Bognor Regis catchment was installed at Westergate water treatment works with an investment of £680,000. The new PRV will provide network resilience and replaces an existing asset which was of an old and outdated design and was occasionally impacting water pressure for customers. The equipment is housed above ground within a ‘walk in’ kiosk, removing the risks associated with a confined space operation and improving access for operational maintenance.



#### POWER RESILIENCE

During the year we completed a project to provide emergency back-up power for our headquarters in Havant. We installed a back-up generator, which will make sure Havant Pumping Station is able to continue operating alongside the head office in the event of a major local power outage.

Report Year - Mains bursts counts



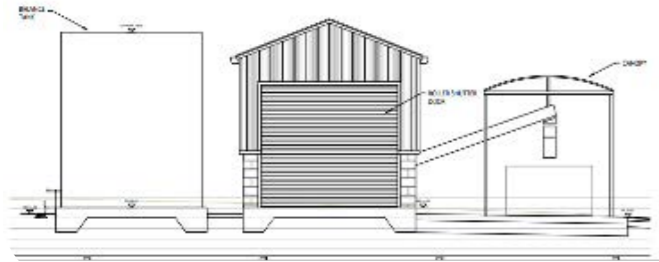
# CAPITAL INVESTMENTS AND EXPENDITURE

IMPROVING WATER TREATMENT

We neared completion of a significant project to make multiple improvements at our River Itchen treatment works, with an investment of £1.7m. The project included multiple asset refurbishments and replacements, such as a new sulphuric acid tank, dosing skid, dosing pump and fill point. A garage and storage area were converted to house the new equipment.

We replaced a boom arm in the wash water recovery tank. The nine metre deep tank was cleaned and we now have a new asset which will improve the recycling of the process water produced during the water supply process. We need to treat this process water before it is released to protect the environment.

We also neared completion on a £1.5m project to construct a new permanent centrifuge sludge mixing tank and polymer dosing system. The equipment, which is housed in a new building on site, separates the waste material created during the treatment process. This improves the water supply process and allows us to recycle process water.



River Itchen WTW Centrifuge project

Elsewhere in Hampshire, other investment included recommissioning our Maindell treatment works, which had been out of service for eight years. The recommissioned works will provide resilience to our water supplies. As part of the project, a submersible camera (ROV) survey was carried out to determine the condition of the well and adits (a horizontal tunnel running out from the main well and into the chalk aquifer). The ROV was sent down to a depth of 15m and surveyed the extent and condition of the adit network, the longest of which was 187m. The project also involved a condition survey of a trunk main between the works and a service reservoir.



Maindell audit survey



RESERVOIR INSPECTION AND MAINTAINANCE

We have a duty under the drinking water regulations to inspect, maintain, and clean our 35 underground service reservoirs and contact tanks to make sure they are in a good structural condition and do not pose a risk to water quality. Service reservoirs are where we store treated drinking water, before it enters our network for supply to customers.

All our reservoir inspections and maintenance moved to a risk-based programme in 2024-25, in line with industry best practice. Nine sites were completed at a cost of £1.1m.

During the year our reservoir maintenance contractor completed a 3D digital scan of a service reservoir in Lavant. This approach allows us to see accurate details of the inside of the tank without taking the reservoir out of service. Water quality data collected routinely from all our reservoirs shows we have no major concerns as to the performance or integrity of our service reservoirs.



BECOMING MORE EFFICIENT

We invest in measures to reduce the amount of energy we use, to reduce costs and support our steps towards reaching net zero.

During the year this included continuing our work at Northbrook works to install a new energy efficient pump in a borehole. The pump will be 8% more efficient than the existing one, leading to anticipated energy savings of £27,000 per year. The pump is variable speed compatible so will also support more operational flexibility at the works.

INNOVATION

Our Infrastructure contractor has invested in Ground Penetrating Radar equipment which will help locate cables and other underground equipment when carrying out work underground – such as mains repairs or renewal.

This innovation is not a substitute to conventional radio detection but provides another safety layer to avoid other utilities and the disruption and expense this can cause. The approach is especially useful for detecting non-ferrous materials and buried concrete and inspection pits where no utility plans are available.



Northbrook pump replacement

# ENHANCING THE NATURAL ENVIRONMENT

OUR PERFORMANCE 2024-25

**Biodiversity:** Grants awarded to third parties to enhance biodiversity in 2020-25

- target of £250,000
- ✓ £250,000 for the five years with £50,000 in 2024-25

**Biodiversity:** Good stewardship of 29 priority habitat sites measured on percentage of jobs completed

- target of 90%
- ✓ 97%

**Catchment management:** Number of farmers and landowners engaged with a Farm Management Plan

- target of 50 in 2020-25
- ✓ 50 across the five years with 10 in 2024-25

**Delivery of Water Industry National Environment Programme (WINEP):** the cumulative number of schemes completed in 2020-25

- target of 18
- ✓ 18

Managing the impact we have on nature and improving biodiversity is important to our business. Our investment to make sure we have resilient and sustainable sources of water goes hand in hand with the need to protect and enhance our environment.

Improving biodiversity and the management of land and water are identified as priority actions to help limit global warming in our Climate Change Risk Assessment. It's essential to make sure we are conserving and, where possible, improving the special and sensitive environments we operate in.

There are Special Areas of Conservation (SACs) and Special Protection Areas (SPAs) in our area and our aim is to help safeguard these. The unique chalk stream habitats in our region are becoming more fragile due to several contributing factors and we are in the process of investigating whether we need to reduce water abstraction from these.

During 2020-25, we had two Performance Commitments to incentivise the timely delivery of 18 WINEP schemes (Water Industry National Environment Programme). We successfully met our targets by completing all the schemes.



# ENHANCING THE NATURAL ENVIRONMENT

## Biodiversity, mitigation and enhancement

As part of our wider commitment to improving the environment, we aim to maintain and enhance biodiversity on land we own, including 44 operational sites. These sites have habitat management plans in place and cover a variety of habitats including chalk downland, river catchments and coastal margins.

We continue to manage a Site of Special Scientific Interest (SSSI) at one of our Hampshire water treatment works, in conjunction with Itchen Valley Country Park, and we allow cattle grazing of the meadow to maintain the wet grassland habitat through a Natural England High Level Stewardship agreement.

The dedicated environment and biodiversity specialists we employ guide our approach.

Our main areas of focus are:

- Raising awareness of environmental issues with our external audiences and employees
- Carrying out ecological mapping on our land to protect and enhance biodiversity
- Actively managing habitats across our owned land
- Working with partners in the catchment area to maximise opportunities and environmental benefits

During 2024-25, our key conservation activities included:

- Detailed vegetation monitoring on 15 sites with the support of an experienced botanist
- An invertebrate survey at a high-value conservation site. This site will be monitored and its management changed if needed
- Woodland thinning, coppicing and scrub management at four water treatment work sites and two storage reservoir sites
- Monitoring species with cameras to understand how our sites are used by wildlife
- River management at a water treatment works to increase glades and reduce scrub along the river banks
- Wildflower meadow improvements at three sites, including cut and collecting and seeding
- Removing invasive non-native Himalayan Balsam during staff volunteer days and controlling invasive non-native Japanese Knotweed at several sites
- Trialling cardboard tree guards to see if these are an option for all our hedge planting and tree planting.

## Biodiversity management and successful outcomes

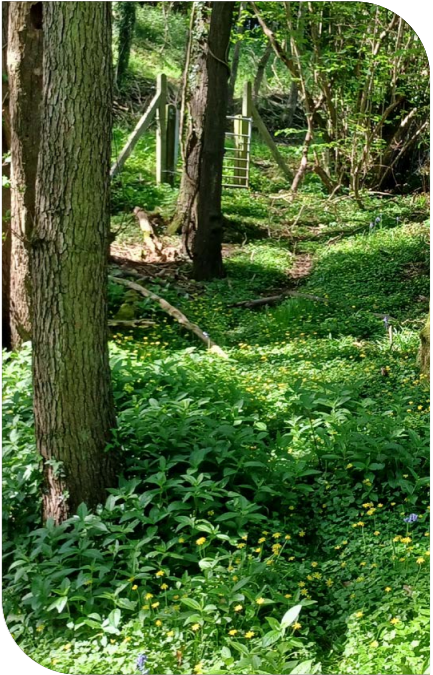
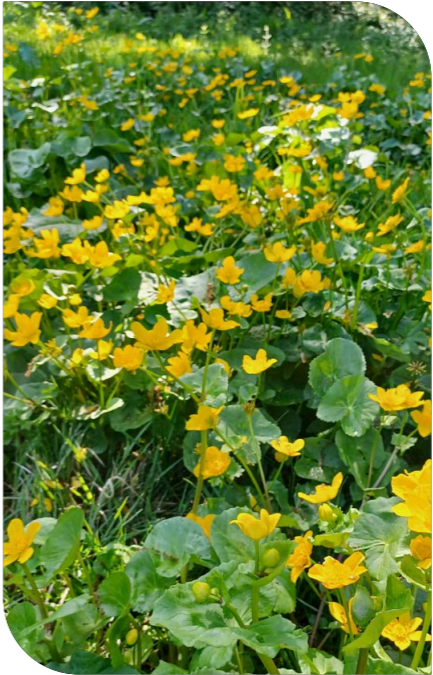
During the year, we also carried out a winter programme of site enhancements on our land, including priority habitat management and we entered the fifth year of our Biodiversity Grant Scheme. This is part of our environmental commitment to enhance habitat networks within our supply area.

We supported seven applications through our grant scheme in 2024-25, totalling around £50,000.

These included grants for:

- The Hampshire and Isle of Wight Wildlife Trust, to improve Farlington Marshes ditches and waterways and provide a Tern raft
- The National Trust, to restore an important dew pond in Slindon
- Portsmouth City Council Countryside Service to improve grazing infrastructure on Portsdown Hill to enable better management of the important chalk grassland
- The RSPB to improve grazing infrastructure at Pagham Harbour Local Nature Reserve
- Manhood Wildlife and Heritage Group to carry out improvement work on four ponds on the Manhood Peninsula
- Hampshire Bat Group to buy a bat detector
- Portsdown Hill Volunteers to buy conservation management tools.

We have delivered our grant scheme for five years and passed the target for this year's and the 2020-25 performance commitment for Biodiversity – Grant Scheme, providing £50,000 during the year and a total of £250,000 during 2020-25.



## Catchment management

We have a performance target to engage with farmers and landowners. The aim of this engagement is for them to undertake and implement a Farm Management Plan, including, where applicable a nutrient management plan.

Our target for 2020-25 was to engage with 10 farms each year to particularly encourage the uptake of Soil Mineral Nitrogen (SMN) sampling and testing and Nutrient Management Plan (NMP) Production.

Farmers who undertake this funded activity can understand their soils better, enabling adjustments to their Nutrient Management Plans and as a result, reducing the amount of nitrate leaching into groundwater. This in turn helps protect water quality and can reduce the need for treatment, chemicals and energy. During 2024-25, 10 farms were successfully recruited to the programme, taking the total for 2020-25 to 50.

## Case Study

### Diffusing the nitrate time bomb – Ofwat Innovation Project

Nitrate pollution has long been a threat to chalk drinking water. Reducing nitrate in our water requires either expensive treatment or changes in farming practices. Working directly with farmers, this project is developing modelling software to predict nitrate concentrations throughout the chalk so options can be tested to select those which reduce nitrates most efficiently.

The outcome, due to be released in summer 2025, will reduce treatment costs, cut energy use and help protect habitats and biodiversity.

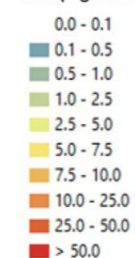
The project is co-funded by the Ofwat Breakthrough 2 Catalyst innovation stream and sponsored by Portsmouth Water and Southern Water. Project partners are Anglian Water Services, South East Water, Affinity Water, Wessex Water and the Environment Agency.

Find out more at:

[waterinnovation.challenges.org/winners/defusing-the-nitrate-timebomb](https://waterinnovation.challenges.org/winners/defusing-the-nitrate-timebomb)

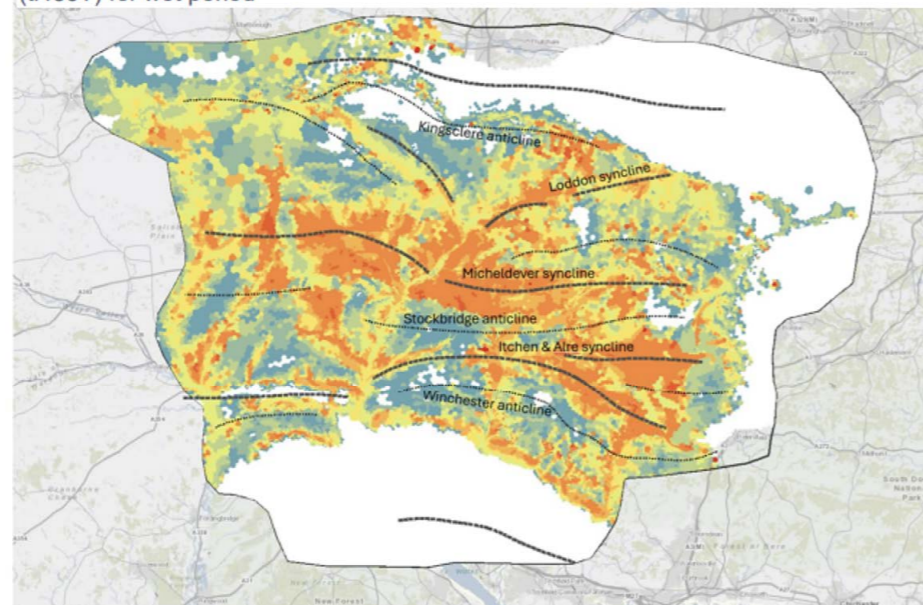
Wet period  
31/12/2000

NO3 (mg/l as N)



Anticline  
\*\*\*  
Syncline  
---

MODFLOW6 Transport output: Groundwater concentration in uppermost active layer (ti456T) for wet period



An example of the spatial distribution of nitrate concentrations.

## Case Study

### Urea trial to understand nitrates risks to groundwater

We have conducted a field trial to study Urea fertiliser products as Urea is not a common form of nitrogen fertiliser in the UK.

The aim was to:

- Improve our understanding of how crops respond to different urea-based nitrogen fertilisers
- Measure the time it takes for the nitrogen to become available from each fertiliser during different weather patterns
- Understand if the use of urea-based fertilisers reduces the risk of nitrate leaching.

The 12-month trial showed more than 10% more nitrate leaching with urea compared to traditional ammonium nitrate products. Based on urea being a cheaper fertiliser, the assumption is increased uptake would have an impact on water quality. This new research will be communicated to farmers and landowners via our Clean Water Partnership online portal to highlight the risks of using urea-based fertilisers.

# SOCIAL OVERVIEW

Our ambition to secure and deliver high-quality, reliable and sustainable water supplies must align with our priority to provide **Affordable water for all. Always.**

We provide an essential public service and alongside this embrace opportunities to create value for the areas we supply – to improve the environment, support the local economy and invest in our communities. We achieve this by fostering a culture which empowers our people to consistently do the right thing.

### OUR PERFORMANCE 2024-25

C-MeX: Measure of customer satisfaction with our services

- meeting target of Upper Quartile
- 4th place in the water sector (Upper Quartile, which we have met every year since 2020)

D-MeX: Measure of developer satisfaction with our services

- meeting target of Upper Quartile
- 1st place in the water sector (Upper Quartile)

## Delivering excellence in service

Delivering for our customers is at the heart of everything we do. During the year we ranked fourth in C-MeX out of 17 water companies. This is Ofwat's measure of overall customer satisfaction, based on four independent surveys of customers to establish the quality of the service we provide, in comparison to other companies.

While we were disappointed to slip from first place the year before, we met our target of remaining in the upper quartile of water companies – a target we are proud to have met every year since 2020.

During the year we migrated our customer data to a new Customer Relationship Management platform which posed some challenges and disruption to customers. However, we worked hard to keep our services on track during the transition and are now in a strong position to deliver more tailored, responsive services in the years ahead (see next page).

As a result of our performance in 2024-25, we expect to earn a financial reward of £0.16m.

Our performance is a tribute to the hard work of our people, combined with our strong core values and community focus.



## Developers

We work with developers and others to connect new properties to our network. We must make sure we have enough capacity to supply the additional customers and new mains are laid to an appropriate standard to safeguard drinking water quality.

D-MeX is the measure of the quality of the service we provide to developers. It is based on independent monthly surveys and our performance against target levels of service.

In 2024-25 we led the industry in the D-MeX assessment, being placed 1st among water companies - a significant improvement from the previous year when we were in ninth place.

## Kraken Customer Relationship Management Platform

A significant operation during the year was the migration of the details of more than 300,000 household and 18,000 non-household properties to our new Customer Relationship Management (CRM) platform, Kraken.

We are the first water company to utilise the platform which has already transformed the energy sector.

The large-scale migration of customer data led to some challenges and customer disruption. However, our teams worked hard to mitigate the impact and we now have a much more versatile and responsive system to improve our customers' experience in future years.

### The platform supports:

- the rollout of smart water meters to all our customers
- the provision of information tailored to customers' individual needs, including water use
- leakage alerts
- easier identification of customers eligible for financial and practical support
- speedier responses for customers
- customers' ability to self-serve, e.g. managing payment plans or sharing data
- a reduction in the cost-to-serve our customers, potentially up to 40%.

### Customer app

We undertook a joint sprint with Kraken Technologies on the development of digital platforms in 2024 to help shape our soon-to-be launched customer app.

Working at the Northumbrian Water Group's Innovations Festival, we engaged with more than 200 people from within and outside the utility sector during a four-day day exercise and held customer focus groups. The learning was key to developing the best experience for our customers.



# DELIVERING EXCELLENCE IN SERVICE

## Managing complaints

OUR PERFORMANCE 2024-25

Complaints received:

✓ 25 complaints per 10,000 connected customers  
(significantly below the industry average of 38 per 10,000)

Escalated complaints to industry consumer body CCW :

✓ 0.26 complaints per 10,000 customers  
(the lowest number in the industry)

Our ongoing vision is to avoid the need for customers to complain as far as possible. When we do receive complaints, we strive to remain industry-leading in how we manage them.

We make sure we provide a personal service to respond individually to any concerns and learn from any complaints received to improve our services.

We currently rank as the top-performing water company nationally with the lowest number of complaints escalated to CCW, with just 0.26 complaints per 10,000 customers.

We recognise how important it is to respond quickly and effectively when something goes wrong, promptly resolving issues and fairly compensating customers where appropriate.

During 2024-25, we received a total of 692 complaints, an increase of 208 compared to the previous year. Despite this increase, we remain comfortably within the upper quartile for complaint handling across the industry, with 25 complaints per 10,000 customers compared to an industry average of 38, significantly below the median.

Several key factors contributed to this rise, notably, as described on the previous page, the significant updates we undertook with our customer systems, including the replacement of our CRM platform and the launch of a new online customer portal.

These improvements deliver substantial long-term benefits; however, the migration of customer data and refinement of system functionality initially posed some operational challenges.

Additionally, we significantly increased our customer engagement and communications this year, introducing new bill designs, updated processes and new communication channels. Initially, these changes led to higher call volumes and a temporary increase in complaints as customers adjusted.

Despite these major transformations, we successfully managed to limit the rise in complaints by proactively supporting customers through the transition. By the second half of the year, complaint volumes returned to typical levels. In the final quarter alone, complaints reduced by 15% compared to the same period the previous year.

Looking ahead, we expect this positive trend to continue into 2025-26 as we fully leverage the increasing functionality of our CRM, digital platform and self-service capabilities.



## Engaging with our customers and communities

Understanding the views of our customers and tailoring our services and communications to meet their needs has been crucial during the year as we developed our smart water metering programme and finalised our business plan investment for the next five years.

We have continued our insight programme, gathering a diverse range of views from different generations, households, bill payer categories, businesses and young people through surveys and face-to-face focus groups and events. This has included:

- A survey with stakeholders to understand if our support for customers in vulnerable circumstances and affordability is meeting customers' needs
- Focus groups and surveys to make sure our communication for our smart water meter programme is clear and simple
- Focus groups and surveys to understand how our customers think about using water
- Engaging with customers to understand how well our interactions support them
- Engaging our own people in focus groups to benefit from their wider viewpoint on customer communications and interactions.

### Customer Scrutiny Panel

During the year, we expanded and relaunched our Customer Scrutiny Panel, bringing together a diverse mix of voices from our region including local councils, Citizens Advice, consumer body CCW, local businesses, a regional horticultural body, industry regulators, and one of our Non-Executive Board Members.

The panel provides independent challenge and advice on how we serve our customers, helping to shape our plans, test our services and check we are open, fair and responsive to the needs of all our communities. This broad representation ensures a wide range of local perspectives are considered in our decisions – strengthening trust and accountability. We also launched sub-groups focusing on Vulnerability and Marketing and Communications to enable deeper discussion and scrutiny of these important areas. We would like to thank Stef Nienaltowski, Independent Chair, and all the panel members for their invaluable support and guidance throughout the year.



Bob Taylor, Portsmouth Water CEO, sharing plans with Cllr Philippa Gray, deputy leader of Havant Borough Council.

# ADDRESSING AFFORDABILITY AND VULNERABILITY

We are committed to delivering excellence for our customers and local communities. A growing number of people in our region are impacted by societal challenges, such as the increased cost of living. Our support for those who are facing vulnerabilities is vital.

OUR PERFORMANCE 2024-25

**Affordability:** The number of customers benefitting from our social tariff

10,000

15,027

Our water bills remain the lowest in England and Wales and we are committed to keeping our bills affordable for all. Always. In 2024-25, our average annual water bill was £120.

We know the pressure household budgets are under and we continue to step up support for those struggling to pay. In 2024-25, we provided help to 15,027 customers through our social tariff, building on last year's progress and significantly surpassing our 2025 regulatory target of 10,000 and our own more ambitious target of 13,000.

During the year, we launched a new targeted arrears campaign, reaching out to customers who had recently fallen behind with their payments, many for the first time. By using enhanced data alongside insight from community partners, we were able to proactively offer tailored support before debt levels escalated.

We also continued to collaborate with local housing associations and advice agencies to make sure those most at risk are aware of the support available. We did not increase our Social Tariff arrangements for 2025-26, meaning our most vulnerable customers were protected from the otherwise necessary bill increases. We also maintained the eligibility threshold at £21,000, to help make sure those in low-income work could still access help.

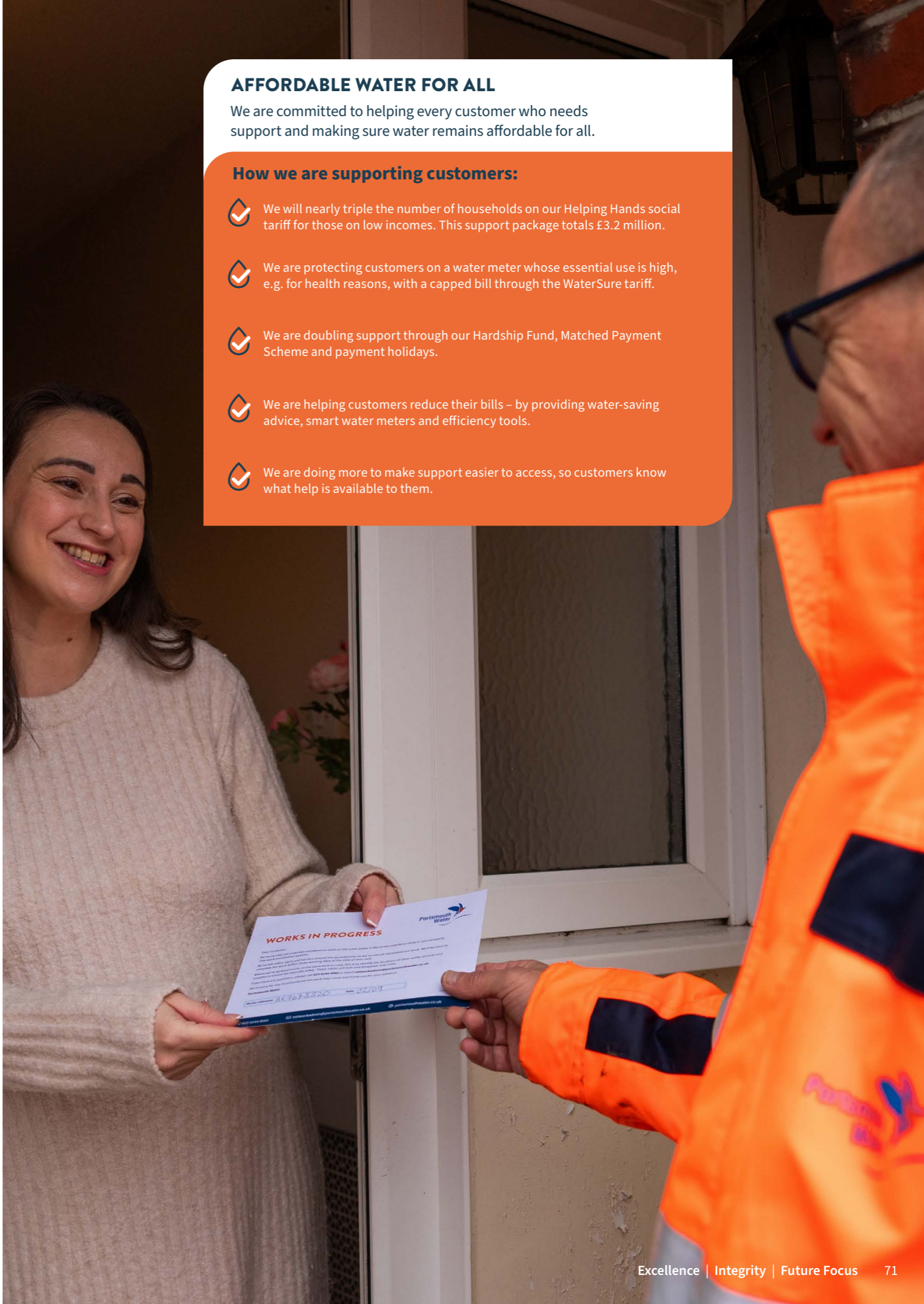
As we head into the 2025-30 period, our long-term affordability commitment remains clear. While our bills will increase to continue securing high-quality, resilient water supplies and protect our environment, our bills will remain the lowest in England and Wales until 2030. We aim to nearly double the number of households on our social tariff to 27,500 by 2030, ensuring no one is left behind due to financial difficulty as we seek to eliminate water poverty.

## AFFORDABLE WATER FOR ALL

We are committed to helping every customer who needs support and making sure water remains affordable for all.

### How we are supporting customers:

- ✓ We will nearly triple the number of households on our Helping Hands social tariff for those on low incomes. This support package totals £3.2 million.
- ✓ We are protecting customers on a water meter whose essential use is high, e.g. for health reasons, with a capped bill through the WaterSure tariff.
- ✓ We are doubling support through our Hardship Fund, Matched Payment Scheme and payment holidays.
- ✓ We are helping customers reduce their bills – by providing water-saving advice, smart water meters and efficiency tools.
- ✓ We are doing more to make support easier to access, so customers know what help is available to them.



# ADDRESSING AFFORDABILITY AND VULNERABILITY

## Delivering for our vulnerable customers

### OUR PERFORMANCE 2024-25

**Addressing Vulnerability:** percentage of representatives of local support organisations who said they were satisfied or very satisfied with the service we provide to support customers in vulnerable circumstances when surveyed.

target 85%

87%

### Priority Services for Customers in Vulnerable Circumstances:

#### 1 The percentage of households registered on our Priority Services Register (PSR)

target of 9%

15.5%

#### 2 The percentage of households on the PSR we attempted to contact over a two-year period

target of 90%

92.4%

#### 3 The percentage of households on the PSR we did contact over a two-year period

target of 35%

44.1%



We operate a Priority Services Register (PSR) for our more vulnerable customers who may need extra help, for instance if supplies are interrupted. We have continued to strengthen our support for customers in vulnerable circumstances, with 15.5% of households now registered on our PSR, up from 12.4% the previous year. This marks a significant year-on-year increase and reflects our continued focus on proactive engagement and inclusive services.

This growth has been supported by wider collaboration with local organisations and we have continued to develop our existing relationships, as well as create new ones. These include:

- **Spark Community Space** – an organisation working with those who may be overlooked by society because of illness, disability or personal circumstances. Working through their café services we engage directly with customers.
- **Veterans Outreach Support** – we join their monthly events to help identify customers who could benefit from our support and liaise with other organisations who attend.
- **Portsmouth Blind Association** – we join their visits to work directly with our customers.

During the year, we also implemented a two-way data-sharing agreement with Scottish and Southern Electricity Networks (SSEN), allowing us to align support across utilities and we have committed to a forthcoming national PSR data share framework.

Each year we survey local organisations which support customers in vulnerable circumstances on their satisfaction with the support we provide to them and their clients. We passed our target of 85%, with a satisfaction level of 87%.

In 2024, we published our draft Vulnerability Strategy, and we continue to work with stakeholders locally, nationally and with our regulators and Customer Scrutiny Panel to challenge and further build on our approach. Our final Vulnerability Strategy will be published in June 2025.

Our collaboration has improved both the visibility of the PSR and the experience of our customers who need additional support, making sure they are recognised and assisted when it matters most.

Our ambition is to increase the percentage of households on our Priority Services Register to 30% by 2030.



# OUR PEOPLE AND COMMUNITIES

## Our people

Our teams are passionate about the positive role they can play to help customers and communities thrive. They want a workplace where they feel comfortable, heard and able to do their best work.

As a local employer we strive to upskill our people and create a diverse and inclusive environment. Our strategy remains focussed on growing our inclusive culture, developing capabilities and engaging our people. As we expand our skills and knowledge to deliver our 2025-30 programme, we are taking the opportunity to:

- build a more diverse workforce, drawing on the talent in the communities we serve
- identify new ways of working to increase our efficiency and effectiveness
- develop our leaders' capabilities
- implement organisational design principles to future proof our business
- Consider the impacts of AI on our ways of working.

Mindful of the cost-of-living pressures and the need to retain and attract essential skills, we have improved the terms and conditions for entry-level roles, making sure salaries are higher than the National Living Wage and our flexible benefit salary sacrifice schemes remain affordable. This was in consultation with our trade unions. We have also introduced a life-event day for all employees in addition to their holiday entitlement.

### What our people say – employee survey

Our overall employee engagement survey score was 74% for the second year running. We scored positively on the likelihood of our people recommending us to friends and family as a place to work. The completion rate for the survey was 75%.

#### Our highest scoring areas were:

- understanding how our work fits into the bigger picture and benefits customers
- being clear about expected performance at work
- positive interactions with colleagues and managers
- positive and constructive bonds with others and a sense of team spirit.

#### Areas for improvement included:

- having the necessary support and resources to do a good job
- feeling valued and appreciated by others
- feeling in control at work
- being able to work free from worry.

In response, we have taken action to review workloads, work patterns and working practices. We are upskilling our managers to help build psychologically and emotionally safe working environments and implementing measures to recognise and reward our employees for their achievements.

We are improving our performance and development review and succession planning, to identify more opportunities for career progression, and developing regular check-ins and alignment of objectives to make sure everyone is working towards the same goals and targets.

## Health and wellbeing

### OUR PERFORMANCE 2024-25

#### Employee absence:

The 12-month rolling average absence rate (available days lost per employee due to sickness) in 2024-25 was 3.1%. This compares to 2.7% the previous year. The increase was due to the number of employees on long-term sick during 2024-25. We continue to operate attendance management, occupational health, capability review and holistic wellbeing initiatives to keep absence below 3%, which we achieved during a five-month period during 2024-25.

To prioritise the health and wellbeing of our people we have created a Wellbeing Working Group. The key aim is to achieve a holistic wellness approach which addresses work life balance, including physical, mental, emotional and social. This has led to:

- an online mental health awareness training programme for managers
- wellness action planning
- a 12-month wellbeing calendar and employee engagement events
- wellness walks
- volunteering days
- sharing people's stories of managing mental health challenges
- insights into how we can embrace neurodiversity in the workplace
- a partnership with a holistic counselling service provider
- the introduction of pulse surveys to monitor health and wellbeing.

During the year we also launched a new benefits platform called PWPerks, with an online wellbeing centre for financial, physical, mental and food nutrition support. It also contains detailed information on our benefits and family friendly policies, an employee discount scheme, local gym membership savings, a healthcare cash plan and cycle to work scheme.

These improvements to our health and wellbeing offering have assisted with the attraction and retention of talent and provided an essential measure for assessing levels of employee engagement.



# OUR PEOPLE AND COMMUNITIES

OUR PERFORMANCE 2024-25

The Royal Society for the Prevention of Accidents (RoSPA):

- target of Gold Distinction
- RoSPA accreditation – Order of Distinction Award RoSPA Gold standard

Health and Safety reportable accidents: an absence of more than seven days because of an injury at work and reportable to the HSE/RIDDOR 0

Health and Safety total accidents: all accidents including reportable accidents but excluding vehicle accidents 12

## Health and safety

We continuously promote a ‘safety always’ culture, enabled by information, technology, guidance, training and the management of risk.

Our commitment to the welfare of all our people has been recognised through the Royal Society for the Prevention of Accidents (RoSPA) Order of Distinction Award for 2025 – it is our 20th year of achieving the Gold Standard.

Awards celebrate success, but the most important outcome is that our people go home safe and well. This is further demonstrated in our performance where we have had no HSE Reportable (RIDDOR) incidents in the past three years and no lost-time injuries (employees taking time off work due to an injury at work) for two years.

Our aim is to maintain this record and the safety of our people as our teams and supply chain expand to deliver an even larger programme of work in 2025-30.



## Supply chain health and safety

We have made real progress with our health and safety culture by extending it through our supply chain and with our strategic delivery partners to share goals.

We align our performance reporting so we can benchmark against partners, collect and share incident and accident information, share learnings and align on indicators such as near misses and positive observations. This open, aligned, transparent reporting ensures the safety of all the people serving our customers.

We also make sure our delivery partners have auditable health and safety accreditations. We utilise the Achilles Utilities Vendor Database (UVDB) to prequalify all operational suppliers and, for our higher risk delivery partners, this is also assessed by the UVDB verify on-site audits each year.



# OUR PEOPLE AND COMMUNITIES

## Investing in skills

We fully support continuous personal and professional development to enable our people to reach their full potential and develop their careers with us for as long as possible.

We support this through facilitated training, professional qualifications and accreditations, academic study, online resources, learner networks and self-learning during work. We also encourage membership of professional bodies to help assess how our people are developing against the relevant standards, career pathways and competency frameworks. It also helps our people to build networks, which is particularly important in a small company.

Identifying and addressing our skills gap supports our talent retention and enables succession planning across all disciplines to future proof our organisation.

During 2024-25 we:

- introduced an organisational design framework and new business partnering function to identify skills gaps and adapt our talent management, recruitment and succession planning
- continued our track record of filling job vacancies with current employees
- created opportunities for internal promotions and secondments to drive career growth, cross-training and skilling, operational flexibility and workforce versatility
- introduced a new performance development review, led by employees to identify opportunities for further learning and career or salary progression
- continued to ‘grow our own’ and during the year increased our apprentice numbers in operations and support services
- identified new opportunities for work experience, supported internships and industry placements for those interested in a future STEM career.



## Encouraging equity, diversity and inclusion

OUR PERFORMANCE 2024-25

During the year, 79% of our employees received Equity, Diversity and Inclusion (EDI) training, compared to 15% the previous year.

Our current representation for women is just under 39% of our total headcount (March 2025) compared to the 2024 UK average percentage of women in the utilities sector of 30%.

Equity, Diversity and Inclusion (EDI) is a cornerstone to our business and our leaders play a critical role in modelling inclusive behaviours and engaging with diverse perspectives. This helps create a culture where our people feel valued, respected and can be their true authentic selves.

In 2024-25, we created a People and Culture Group with representatives from across the business who help shape our EDI strategic roadmap, engagement initiatives and internal communication to promote equal opportunity.

Programmes delivered during the year to support our objectives include:

- mandatory awareness training for all employees, temporary workers and contractors to help prevent workplace sexual harassment, following the introduction of the Worker’s Protection Act
- anti-bullying and harassment people manager training
- menopause awareness training, along with a menopause guide and additional five days’ leave for those experiencing perimenopause or menopause symptoms
- review of family-friendly people policies with enhancements to our maternity, adoption and paternity leave and pay and extra support for adoption, antenatal and fertility appointments
- participation in Neurodiversity Celebration Week, with employees sharing their stories on how they live with their unique strengths and challenges

- working with a local charity promoting EDI through cross-cultural storytelling projects and other creative educational activities, through our partnership with Shaping Portsmouth
- sponsoring the Inspirational Women of Portsmouth Awards which celebrate women who make a positive impact in their communities
- working with the Women in Utilities Network to support women’s contribution to the sector through networking and mentoring opportunities
- sponsoring Portsmouth Pride and supporting as volunteers.

Our EDI policy statement has been updated to define what equity, diversity and inclusion means for us and highlight our ongoing zero-tolerance to any discrimination in and outside the workplace.

Our EDI focus is helping address our gender pay gap, creating a more diverse workforce and developing talent regardless of background or characteristic.

### Gender Pay Gap

We saw a small reduction in our mean gender pay gap in our latest reported figures (for 2023-24). We know there is more to do and during the year we continued to increase the number of women appointed into executive, senior leadership, specialist and STEM-related roles through open, inclusive talent acquisition.

### EDI employee survey #AlwaysYou

We carried out our first EDI survey with employees in 2024:

- 93% said they feel they understand their role in building an inclusive workplace
- 70% agree or strongly agree with the statement: “I believe that provision for parental leave is good”
- 84% agree or strongly agree with the statement: “I am proud to work at Portsmouth Water”.

# OUR PEOPLE AND COMMUNITIES

## Our work in the community

OUR PERFORMANCE 2024-25

Participation in at least 12 STEM and community events promoting environmental awareness and water conservation

14

We're proud to be a local company deeply rooted in the communities we serve. In 2024-25, we supported community events, sponsorships and outreach programmes, including school visits, educational talks and local and national fundraising activities.

We have worked to tackle issues such as youth opportunity, financial hardship and social inclusion through partnerships with Shaping Portsmouth, local authorities and community organisations.

Our teams have also taken part in career mentoring, school engagement and local events which bring people together and raise awareness of the support available.

We continue to be a main sponsor for the Solent Primary Schools STEM fair, which we attend each year to educate young learners about the water cycle through interactive sessions and hands-on demonstrations. This year we introduced our new campaign "Putting Saving Water at the Heart".



### Havant Thicket Reservoir Community engagement

Engaging and working in partnership with local communities remained a key focus for the Havant Thicket Reservoir project. These partnerships help shape what we deliver for the environment, customers and wider society.

In 2024-25, our main reservoir Stakeholder Advisory Group continued to meet regularly. This allowed us to update a wide range of community representatives, such as local councillors and environmental groups, on progress with the reservoir scheme. We also addressed people's questions and concerns and listened to their feedback and ideas.

The group has an Independent Chair, with Ingrid Strawson stepping down from this role in late 2024 after five years in post. Anne Elkington was appointed as the new group chair, beginning work in early 2025. We would like to thank Ingrid for her hard work and dedication in guiding our engagement and we look forward to continuing to work with Anne in the months and years ahead. We would also like to thank Anne and all the members of the advisory group for their ongoing support.

The work of the main Stakeholder Advisory Group continues to be supported by contributions from six specialist stakeholder subgroups, namely: Access (to/from the reservoir site), Education & Local Economy, Environment, Recreation, Reservoir pipelines and Water recycling.

During the year, we asked members of our main stakeholder group and subgroups for further input and feedback on important design elements of the reservoir. This included our proposed plans for the reservoir site's southern access route (for vehicles), the visitor centre and the control house. All the comments and suggestions are being taken into account in our design development, to inform the proposals we submit as planning applications. Each application will include a 'You said, we did' report, setting out how we have used community feedback to shape our designs.

In a survey of stakeholder group members in 2025, 80% expressed satisfaction with the value of the engagement.

# SUPPLY CHAIN AND BUSINESS PARTNERS

Suppliers, business partners and the overall supply chain are key to enabling our business to successfully function operationally, financially and environmentally.

We work with more than 600 suppliers to support the wider business and look for opportunities to engage local small and medium enterprises (SMEs) where appropriate. We deal with all our suppliers in a partnership-based approach, helping to make sure we receive quality products and services and our suppliers feel valued and are paid a fair price. We maintain appropriately high standards and performance on our payment practices (see page 92).

Wherever possible we include collaborative working principles, including common shared goals and behaviours. As set out in our Modern Slavery statement, we take proactive measures to assure the prevention of modern slavery in our supply chain and expect our suppliers to take similar measures.

### Framework partners

The scale of water company investment programmes and wider infrastructure investment as we move into 2025-30 means the current market is extremely competitive and resource capacity is an issue facing several companies.

We have been procuring four material framework contracts for the next five years and potentially beyond. These long-term partnerships are key to delivering the £377m investment programme for 2025-30 and to meet our wider environmental and social goals. Our new frameworks will include clauses to drive climate change actions and measure carbon emissions and biodiversity net gain.

In conjunction with the new Customer Relationship Management (CRM) provided by Kraken Technologies and installed by Portsmouth Water, we have aligned ourselves with partners to help meet our challenging demand reduction targets. Arqiva was the successful supplier selected in our competitive tender for our smart water metering programme in 2024-25.

The significant amount we invest with suppliers and specialist contractors supports the development of skills, jobs and the regional economy, with Havant Thicket Reservoir a prime example.



## Case Study

### Investing in our region – Havant Thicket Reservoir

To fully understand the benefits the reservoir could bring, we commissioned an Economic Impacts Study by the University of Birmingham during the year. This study confirmed the likely benefits of the reservoir during construction and its long-term operation. The figures were generated using the University of Exeter's Outdoor Recreation Valuation tool, which was developed with funding from Defra.

We have been working hard to turn these opportunities into reality. Since 2022 we have brought our contractors together with local stakeholders in an Education and Economy group, to maximise the benefits of the project. This group has already delivered impressive results:

- More than 37 new jobs created on the project in Havant, including six apprenticeships and seven work placements
- Our contractors have carried out 21 career events, while supporting 515 weeks of on-site training for national qualifications
- A local schools ambassador programme has been created, enabling young people to get more involved in the project
- The project now features as a case study in the AQA GCSE Geography course
- Contracts awarded locally including the supply of personal protective equipment, materials including marine-dredged sand and quarried aggregate and catering. This benefits our local economy and cuts the carbon emissions associated with deliveries.

The Havant Thicket Reservoir project is creating a legacy, providing local employment, apprenticeships, and skills development.



## REGULATORY RELATIONSHIPS

There are many organisations and issues which impact our business. These shape our business decisions, risk profile and strategy. As a regulated monopoly we are answerable to many regulators who oversee our delivery for our customers and the environment. We also have multiple stakeholder groups who play a critical role in delivery of our plans and we are exposed to external risks from the UK and global economic markets. We have constructively engaged with a review by the Independent Water Commission, chaired by Sir Jon Cunliffe, into the water sector regulatory system in England and Wales, which is likely to shape future regulation.

Our regulators are outlined below:



Department  
for Environment  
Food & Rural Affairs

Defra is the UK Government department responsible for safeguarding the natural environment. They set policy for the water industry. These policies, such as the development of competition for non-household customers, management of flood risk and water abstraction reform, are then implemented by individual regulators.

ofwat

The Water Services Regulation Authority, or Ofwat, is the body responsible for economic regulation of the water and sewerage industry in England and Wales. They are responsible for protecting the interests of customers in a monopoly market. Ofwat is primarily responsible for setting limits on the revenues collected for water and sewerage services, taking into account proposed capital investment schemes and expected operational efficiency gains.



The Drinking Water Inspectorate regulates the public water supply companies in England and Wales. It provides independent reassurance that drinking water quality is safe for customers, meeting the legal standards. The DWI's remit is to monitor the quality of drinking water in England and Wales, taking enforcement action if standards are not being met, and appropriate action when water is unfit for human consumption.



Environment  
Agency

The Environment Agency is a non-departmental public body with responsibilities relating to the protection and improvement of the environment in England. The Agency's responsibilities include water quality and water resources. They set the volume of water that we may extract from the environment. They also have responsibilities for flooding, conservation, rivers and harbours.



Natural England is the Government's adviser for the natural environment in England. This non-departmental public body is responsible for ensuring that England's natural environment is protected and improved. Natural England monitor the way we maintain and operate our sites to ensure we enhance the local environment. We have been complimented for the improvement in the management of our sites by Natural England and in particular the Site of Scientific Special Interest on the River Itchen.

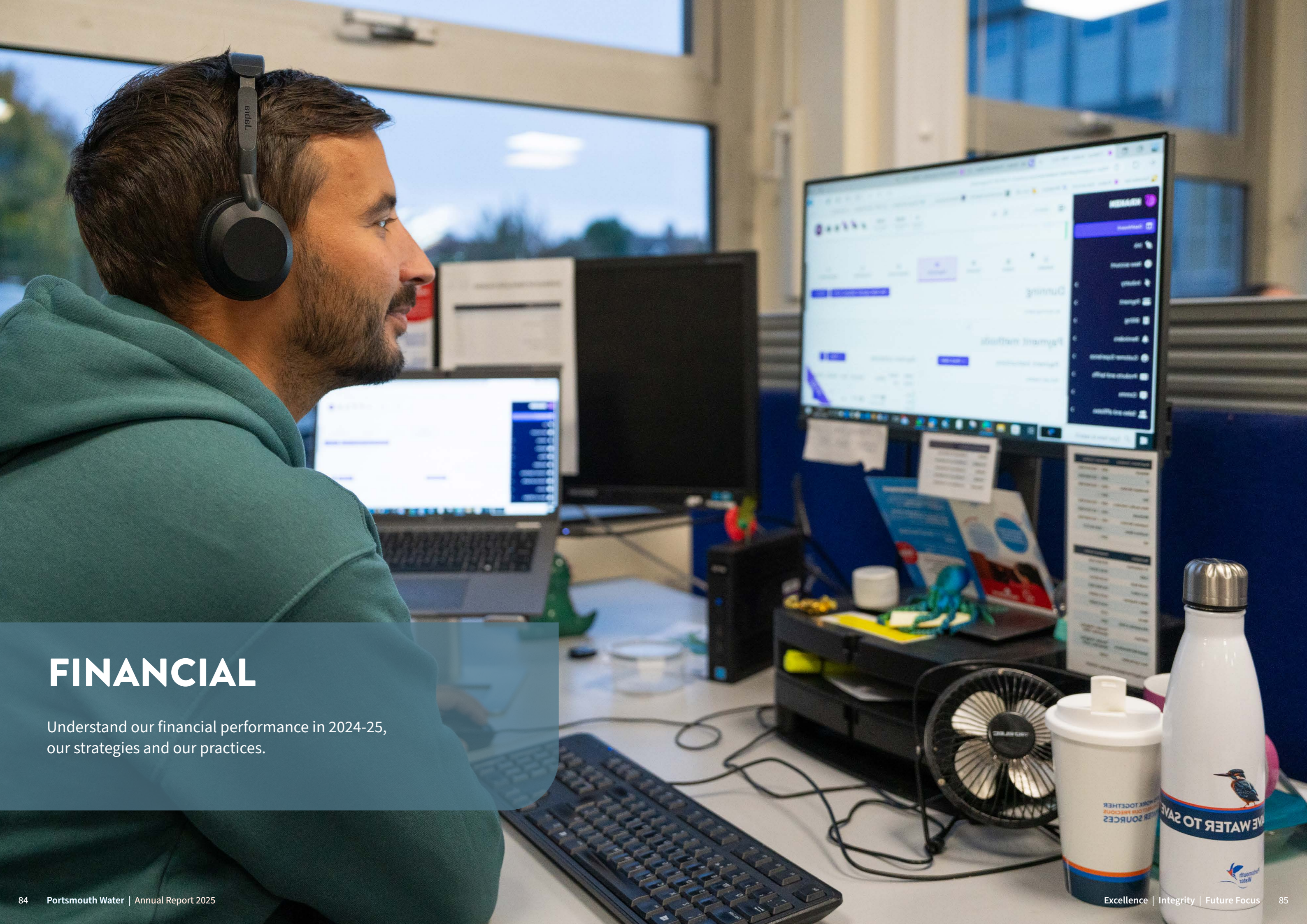


The Consumer Council for Water (CCW) is the independent voice for all water consumers in England and Wales. It was established to provide consumers with strong representation, making sure that customers are at the heart of decisions made by water companies. It provides free advice to consumers and keeps them informed on the issues that affect their water and sewerage services. CCW monitors the quality of the service we provide to our customers.



MARKET OPERATOR SERVICES LTD

Market Operator Services Ltd (MOSL) is a private company that works on behalf of and is funded solely by its water company members. Companies are required to be members of MOSL to participate in the non-household market. MOSL is responsible for the effective and efficient operation of the non-household water retail market and plays a central role in its evolution through its continued work with the Code Panel.



# FINANCIAL

Understand our financial performance in 2024-25, our strategies and our practices.

# FINANCIAL COMMENTARY

The financial year ended 31 March 2025 was the fifth and final year of the current Ofwat regulatory review period. As set out elsewhere in this report, we made further progress in delivering against our challenging ODI targets and progressing our capital programmes, including the start of full construction at Havant Thicket Reservoir. In addition, we reached agreement with Ofwat on the Final Determination relating to the next regulatory period, 1 April 2025 to 31 March 2030.

## FINANCIAL PERFORMANCE SUMMARY 2024-25

EBITDA		
⊕	>17.9m budget	
✗	£13.6m	(FY24: £14.5m)
Interest Cover Ratio (ICR)		
⊕	target of >1.4	
✓	1.45	(FY24: 1.45)
Return on Regulatory Equity (RoRE)		
⊕	target of >6%	
✗	-1.94%	(FY24: -3.77%)
Ofwat Gearing (not including HTR funding)		
⊕	target of <70%	
✓	67.5%	(FY24: 50%)

Revenues £49.6m
FY24: £47.9m
Operating profit before exceptional items £6.7m
FY24: £8.2m
Profit after tax £1.1m
FY24: Loss after tax £-3.4m

## OWNERSHIP STRUCTURE

The Portsmouth Water group is wholly owned by funds managed by Ancala Partners LLP ('Ancala'). Ancala is a UK-based infrastructure fund manager, whose investors are primarily UK and European corporate and local authority pension plans, with long-term investment horizons. Ancala is committed to supporting the Company's purpose of 'Excellence in Water. Always'.

Ancala's ownership is through an investment holding company, Ancala Fornia Topco Pte Limited ('AFTPL'), a company incorporated in Singapore but resident for tax purposes in the UK. This company is considered the ultimate parent undertaking of Portsmouth Water Limited and Ancala is considered its controlling party.

Investment into Portsmouth Water Limited is effected from AFTPL through Ancala Fornia Holdco Limited ('AFHL'), a UK incorporated company. Group financial statements for both AFTPL and AFHL are prepared annually as at the 31 March financial year end. These group financial statements include the consolidation of Portsmouth Water Limited and its fellow subsidiary companies. All operations and tax-related liabilities for the AFTPL and AFHL groups are generated and payable in the UK.

## FINANCING STRUCTURE

The wider Portsmouth Water group, including its UK parent companies, has raised up to an additional £495m of financing since March 2020, through to March 2025.

This has been achieved through a combination of £250m of new revolving credit facilities (RCFs) - £45m of which is in parent companies - and a £75m CPI-linked bond (both of which were secured in March 2023), with an additional £170m of funding provided by Ancala.

This additional £170m funding has been reflected by the company:

- Increasing its issued share capital by £80m (£20m in March 2023 and £60m in July 2023)
- the full repayment of an historic long-term investment loan provided by Portsmouth Water to a parent company of £55.5m, plus interest accrued on this (in July 2023)
- a new £30m parent company loan being provided to the company (in August 2024).

The additional funding balances received from the new CPI Bond issue (£75m) and new Ancala funding (£170m), have largely been used to fund ongoing capital expenditure (as noted above) and the repayment of an existing £20.6m parent company loan. Excess funds were placed on short-term bank deposits and similar short term (liquid) investments.

The total of all such cash deposit and investment balances at 31 March 2025 was over £50m. As such, no drawdowns on the additional RCF facilities in place have as yet been required.

## COVENANT COMPLIANCE – GEARING AND INTEREST COVER

The Company and wider Portsmouth Water group have several covenant compliance requirements, linked to the borrowing and loan facilities in place. These are largely based on the Company's gearing ratios at the period end date and the interest payments and earnings for the period then ended.

All covenant requirements for the year ended 31 March 2025 have been achieved.

## GEARING

Gearing is calculated as a ratio of 'Net Debt' to 'Regulatory Capital Value' (RCV), and this is a compliance measure required by the Company's Artesian index linked loan.

Following the Group financing arrangements, with the inclusion of inter-company loans, there is a divergence between gearing calculated for banking covenants (which excludes subordinated inter-company debt) and gearing defined by Ofwat, which includes subordinated inter-company debt.

Gearing as defined for banking covenant purposes is 57.8% (FY24: 41.9%). Gearing as defined by the Ofwat methodology is 67.5% (FY24: 50.0%).

The reported regulatory gearing now includes the additional RCV allowance agreed with Ofwat in 2023, through the first cost adjustment mechanism, relating to the Havant Thicket Reservoir project. This allowance is applicable from 31 March 2025. Underlying gearing for bank covenant purposes reflecting this adjustment is 32.5% (FY24: 32.4%), and as defined by the Ofwat methodology is 38.0% (FY24: 38.7%).

These gearing ratios are all within the maximum gearing ceiling (86%) set out in the covenant requirements.

## INTEREST COVER

Interest cover is measured as the ratio of adjusted earnings ('EBITDA'), compared to the interest paid in the period. The interest cover ratio calculation is 1.45 times for the year to 31 March 2025 (2024: 1.45 times), within the current covenant requirement (1.40 times). This ratio is calculated taking account of the funding needed to meet the Company's capital expenditure, where funds raised are included in a specific 'Proceeds Account' and then allocated against capital expenditure as it occurs. At 31 March 2025, there was £31.9m remaining in the Proceeds Account (FY24: £96.0m).



# FINANCIAL COMMENTARY

## Review of trading and financial performance

### Revenue

Revenue has increased by 3.5% to £49.6m in the current year compared to FY24. This increase is largely due to the allowed inflationary increases across both the household and non-household customer base. Bulk water sales are largely in line with prior year levels, as we continued to support other water companies with supplies to customers during periods of peak demand through the summer.

### Cost of Sales and Operating Costs

Combined Cost of Sales and Operating Costs increased by 8.7% to £43.3m compared to FY24. This was largely due to continuing high energy and commodity-related costs and the growth in employment-related expenses. These reflected the higher levels of staff in place across the business, as well as annual pay increases aligned to inflation for the FY25 period. The FY24 results also benefitted from the receipt of a business rates rebate (£1.6m) which did not recur in FY25.

### Exceptional items

The £337k exceptional items in the year (FY24: £31k) reflect one-off costs incurred relating to the Brockhampton Pension Scheme. These relate to ongoing changes to the scheme, including legal and related advisory fees incurred from changes to the scheme's long term investment strategy and closure of the scheme to future accrual, which became effective at the start of FY24. There were no material disposals of fixed assets in the current year or prior year.

### OPERATING PROFIT AFTER EXCEPTIONAL ITEMS

Operating profit at £6.3m is 22% lower than the prior year, largely reflecting the impact from the 'one-off' business rates rebate received in FY24 and the higher pension-related exceptional costs incurred in FY25, as detailed above.

### INTEREST RECEIVABLE AND PAYABLE

Interest receivable and similar income has reduced to £4.1m, compared to £6.3m in FY24. This fall largely reflects lower interest and investment income from the excess cash and short-term deposit balances held through FY25 compared to FY24. These deposit balances have reduced following the utilisation of excess funds carried forward over the last year on capital investment projects, including the ongoing Havant Thicket Reservoir.

Total interest payable and similar charges have reduced to £8.7m (FY24: £18.7m). These amounts are after the off-set of borrowing costs capitalised in the year of £9.3m (FY24: £8.8m), which reflect the increased investment in new capital projects still under construction. The lower gross interest and other borrowing costs payable of £18.0m (FY24: £27.6m) is mainly due to lower indexation charges arising on the Artesian RPI loan and the CPI Bond, reflecting the significantly lower inflation-related metrics applicable in the current period on both these borrowings.

The net interest costs also include the benefit of the fair value and realised gains of £0.9m (FY24: loss of £1.3m), arising in the year on the RPI-CPI 'swap' financial instrument the company has put in place, effective from April 2023 through to September 2032. This swap is to protect the business against adverse variances in the movement in RPI compared to CPI, in this period through to 2032, when the RPI linked Artesian loan matures.

### Taxation

There is a deferred tax charge in the year of £0.6m (FY24: credit of £0.9m), relating to the pre-tax profit recorded of £1.7m (FY24: loss of £4.3m). This is largely in line with the applicable deferred tax rate for the year of 25% (FY24: 25%). There is £nil current tax charge and £nil corporation tax payable, reflecting the tax losses recorded in the year and the tax losses carried forward from prior years.

## Other financial matters

### Dividends

Our dividend policy reflects a 4% return on the Company's average Regulated Capital Value (RCV) in each period, in line with guidance provided by Ofwat in the PR19 Final Determination. The dividend is adjusted for other distributions to holding companies relating to inter group loans to ensure total distributions align with Ofwat guidelines.

The Board then considers adjustment (upwards or downwards) depending upon the following factors which reflect financial resilience and Company performance in each financial period:

- Overall financial performance of the appointed and non-appointed business
- The Company's performance against commitments to customers and stakeholders
- The Company's financeability, to ensure sufficient liquidity for the medium term and testing of the overall long-term financial viability of the Company
- Regulatory requirements, in particular Licence Condition F.

During the year to 31 March 2025, the Company paid the dividend of £3.2m (FY24: £2.3m) it had declared as part of its prior year end. The Board are proposing a dividend of £2.9m relating to this financial year, which is expected to be paid before 30 September 2025. No additional interim dividend was paid in FY24 or FY25.

### Capital investments

During the year, capital expenditure on the Havant Thicket Reservoir project increased, with a further £50.1m (FY24: £32.3m) spend in the year, increasing the total direct project spend to date to £129.6m. This is expected to further increase through to 2030, with a total project spend of £339m (at 2021 prices) currently approved by Ofwat.

In addition to the direct capital spend on the project, in line with the Company's accounting policy, a further £8.4m (FY24: £7.9m) of related borrowing costs incurred have been capitalised in the year on the project, with total cumulative capitalised borrowing costs to 31 March 2025 of £22.4m (FY24: £14.0m).

The Company has also incurred higher levels of expenditure on other capital projects, with additions of £29.8m (FY24: £29.7m) in the year (including £0.9m of related capitalised borrowing costs). This reflects continued high levels of new and renewed mains infrastructure and pumping equipment investment across the business and investment in the new CRM System (Kraken) and the smart water metering project. Further details on these projects are set out earlier in this report.

### Capital contributions

The Company receives capital contributions, primarily in connection with new mains for housing developments. These amounted to £1.2m (FY24: £0.8m). In accordance with FRS102, these contributions are deferred and amortised to the Income Statement to match the related depreciation cost on the assets. Prior year capital contributions recognised in revenues in the year were £0.7m (FY24: £1.0m).

### Pensions

The Company is the principal employer of the Brockhampton Pension Scheme, a defined benefit scheme. The Scheme was closed for future accrual effective from 31 March 2023. The latest actuarial valuation as of 31 March 2025 was carried out in accordance with FRS102, and this showed a continuing pension net asset surplus of £20.5m (FY24: £23.0m). Following the closure of the scheme to future accrual, it is no longer possible to recognise this pension surplus as a net asset in the company's financial statements.

Total pension expense relating to the scheme recognised in the Income Statement for the year was £0.8m (FY24: £0.4m), which includes £0.3m (FY24: £nil) relating to exceptional costs associated with ongoing changes to the scheme investment strategy and closure to future accrual.

The active employee members of the Brockhampton Pension Scheme were transferred into the Company's defined contribution pension arrangement with effect from 1 April 2023. Pension costs relating to this scheme increased in the year to £2.1m (FY24: £1.8m).

### Cash and cash flow

Cash generated from operations of £10.4m (FY24: £12.7m) have reduced, reflecting changes in the underlying working capital balances. In particular, the Company has introduced a new Customer Resource Management system (Kraken) in the current year, with the main annual billing process to 'unmeasured' customers taking place later in the summer period compared to prior years, with extended 'direct debit' payment periods. As a result, the collection of payments from customers of these annual bills are at lower levels than in prior years.

The overall net 'cash and cash equivalent' balances held have increased to £50.8m (FY24: £26.0m). The net cash movements in the period include significant investment outflows relating to continuing expenditure on capital projects of £78.9m, including Havant Thicket Reservoir construction (as noted previously).

These have been largely funded from the draw-down of short-term investments which have matured in the period (£90.0m), and the receipt of £30.0m of new shareholder investment fundings paid into the Company in August 2024, provided to the company by way of a new inter-group loan.

Some £20.6m of these new funds were used to repay existing inter-group loan balances which were due for repayment in the current financial year.

Overall, the company maintains significant cash and short-term deposit balances at 31 March 2025 of over £50m. These funds are expected to be able to meet the company's operating, investment and finance cash requirements into the later part of FY26. Additional funding will also be available to the Company from the existing (undrawn) bank facilities. These additional banking facilities are in place through to 2028.

### Non-regulated business

The non-regulated business delivered revenues of £0.2m (FY24: £0.2m) and operating profits of £0.2m (FY24: £0.2m) in the year, arising from CON29DW (drainage and water) searches and meter reading services for non-household retailers.

# TAX STRATEGY

### Corporate structure

The group structure is set out on page 105. As noted above, the Company and wider group is wholly owned by funds managed by Ancala Partners LLP (Ancala), through a Singapore registered holding company, Ancala Forna Topco Pte Limited.

Portsmouth Water is committed to full compliance with UK tax laws. As a Company and wider group, we understand that collecting and paying tax is an important part of contributing to the economic environment in which we operate. In addition to paying corporation tax, when the company has earned taxable profits, we also contribute to the UK government and wider society as a result of the indirect taxes, employee-related taxes and environmental taxes we pay every year.

The Company’s tax affairs are managed in a way which considers our wider corporate reputation and are always managed in line with the Company’s values.

### Corporate interest restriction

Up to 31 March 2020, Corporate Interest Restriction was applied at a group level and the resulting tax cost was incurred at the wider group level. Since 1 April 2020 the group has elected in to the ‘Public Benefit Infrastructure’ (‘PBIE’) tax exemption.

### Governance in relation to UK taxation

The ultimate responsibility for the tax strategy of the Company rests with the Board. The Chief Financial Officer is the Board member with executive responsibility for all tax matters. The day-to-day management of tax affairs is delegated to the Group Financial Controller, who reports directly to the Chief Financial Officer and to other members of the Company’s finance team as is considered appropriate.

Members of the wider finance team are suitably experienced and trained to a level that ensures tax compliance can be maintained. A cycle of training makes sure the skills required are identified and held within the finance team. For tax filings and any specialist taxation advice required, the Company engages the services of suitable finance, taxation and accounting professionals advisors.

### Risk management

#### Attitude towards tax planning and level of risk

Portsmouth Water Limited manages risks related to compliance with taxation and related legal requirements in a manner which ensures payments of the correct amount of tax on a timely basis. The Company’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.

At all times the Company seeks to act in a way which fully complies with current UK taxation legislation and related requirements and upholds its reputation as a good corporate citizen.

For any specific issues or related tax transactions the Board is ultimately responsible for identifying the risks 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 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, where we can utilise Government tax initiatives, such as the use of Research and Development Tax Credits scheme to reduce our corporation tax charge, we will do so. This helps us maintain one of the lowest total operating costs in the UK water industry.

### Capital allowances

As with all large infrastructure companies, we manage our application of Capital Allowances carefully. This ensures we claim appropriate levels of capital allowances and helps maximise legitimate taxation opportunities where possible.

### Working with HMRC

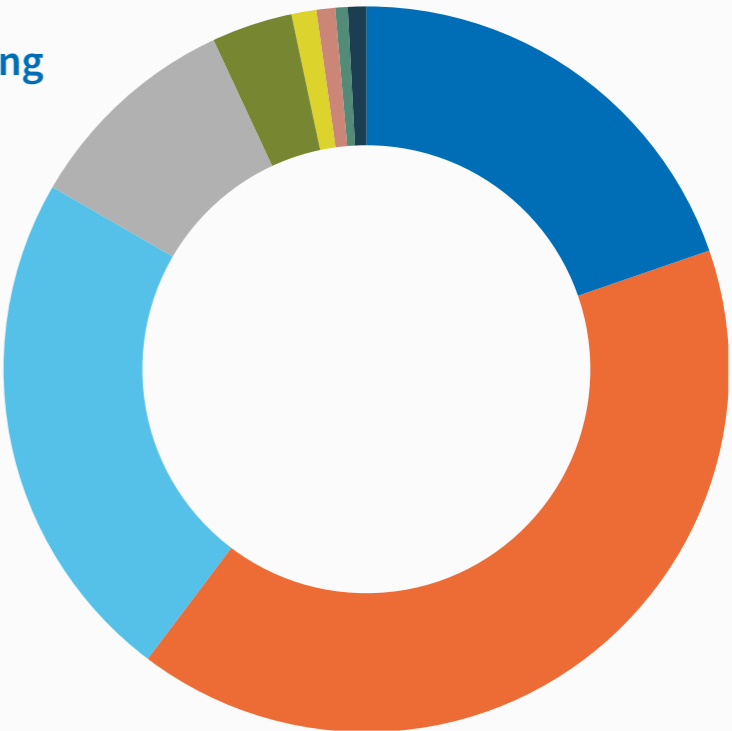
The Company seeks to have a transparent, respectful and proactive relationship with HMRC, be that directly or through intermediaries acting on our behalf.

Any inadvertent errors which may occasionally occur in any submission made to HMRC are fully disclosed as soon as reasonably practicable after they are identified.

Future tax changes are considered through Water UK’s Tax Forum, of which the Company is a member. This wider industry forum allows management an opportunity to discuss how any future tax legislation can be interpreted and applied appropriately across the wider water industry.

## Portsmouth Water paid the following amounts of tax in the current year

Business Rates	£1,529k
Employee PAYE	£3,154k
Employers NI	£1,785k
Employees NI	£751k
Permit Schemes	£292k
Fuel Duty	£70k
Apprenticeship Levy	£66k
Insurance Premium Tax	£58k
Road Fund Licences	£47k



### Corporate Criminal Offences Code of Conduct

In line with UK government guidance, the Company has performed a taxation risk analysis relating to the potential for tax evasion taking place across the business. From this assessment, the Company has concluded the risks of tax evasion to be low. Tax evasion, tax fraud and attempts to facilitate such actions are unethical and inconsistent with the ethos of the Company and wider group.

Portsmouth Water is committed to complying in full with UK tax laws and we expect all third parties working with the Company to fully comply with their tax obligations.

We believe in paying our fair share, and that everyone working with us should too. This extends to full compliance with IR35 legislation for all contractors and suppliers we engage with.

### Accountability and governance

The Board has approved a code of conduct and supports our commitment to zero tolerance of tax evasion or its facilitation. The Chief Financial Officer is responsible for monitoring compliance with the code and is supported by the Board and the management team in doing so.

### Employee responsibilities

Our code of conduct sets the standards of behaviour we expect all our people to adhere to. If our employees are asked to act in any way that could facilitate tax evasion, this must be reported without delay, using the established reporting mechanisms and whistle-blowing process where and when necessary.

### Risk assessment and mitigating factors

Our business risk assessment covers those areas of the business operations where there is a risk of tax evasion. In relation to these risks we have considered relevant mitigating factors (including internal controls in place). Where necessary we have developed further activities and controls to mitigate any areas of higher risk we identify.

### Our commitment

Portsmouth Water is committed to the following principles:

- Our business is always carried out fairly, honestly, and openly
- Our values underpin everything we do
- We will never transact with any supplier where it is known or suspected that any aspect of the transaction is being misused, abused or otherwise corrupted for the purposes of tax evasion
- We will immediately terminate any agreement or business relationship if we learn of, or suspect tax evasion may be taking place
- We will not do business with others who do not also hold themselves to the same standard of preventing tax evasion
- Any employee found in breach of our policy will be subject to disciplinary procedures
- No employee will suffer demotion, penalty, or any other adverse action for reporting or refusing to carry out an action which may lead to tax evasion.

**Chris Milner**  
Chief Financial Officer

# REPORT ON PAYMENT PRACTICES AND PERFORMANCE

We maintain sector-leading standards and performance on our payment practices. We recognise that a collaborative and strong working relationship with all our suppliers is key to our operational success. This is demonstrated by the payment practices set out here, which we have reported for the latest six-month period to 31 March 2025.

We are aware of the importance of the certainty of being paid on time and the detrimental impact of elongated payment terms on the suppliers we partner with. Through close relationships with our suppliers we are fortunate to have minimal instances where payment of invoices have been in dispute. Our current process means both the Company's Financial Controller and the Procurement Managers are aware, on a day-to-day basis, of any payment disputes so these can be actioned and resolved quickly.

Supplier statements, when these are received, are reconciled to the balances held in the Company's financial records. All our payment spend is covered by financial systems managed and updated daily. We are further developing our internal processes and data reporting to demonstrate full alignment with the government-backed Prompt Payment and Fair Payment Codes.

The Prompt Payment Code has recently (December 2024) been replaced by the Fair Payment Code ('FPC'). We note that our normal payment terms and practices would meet the standards set out in that Code. Consideration is to be given to applying for a formal FPC award in the near future.

Portsmouth Water publishes Payment Practices reporting every six months under statutory obligations

Our standard terms are payment in 30 days from invoice date. Changes to these are through a collaborative process, aimed at supporting the needs of smaller businesses (those with less than 50 employees)

The maximum contractual payment term is 60 days but terms more than 30 days are only implemented with supplier agreements

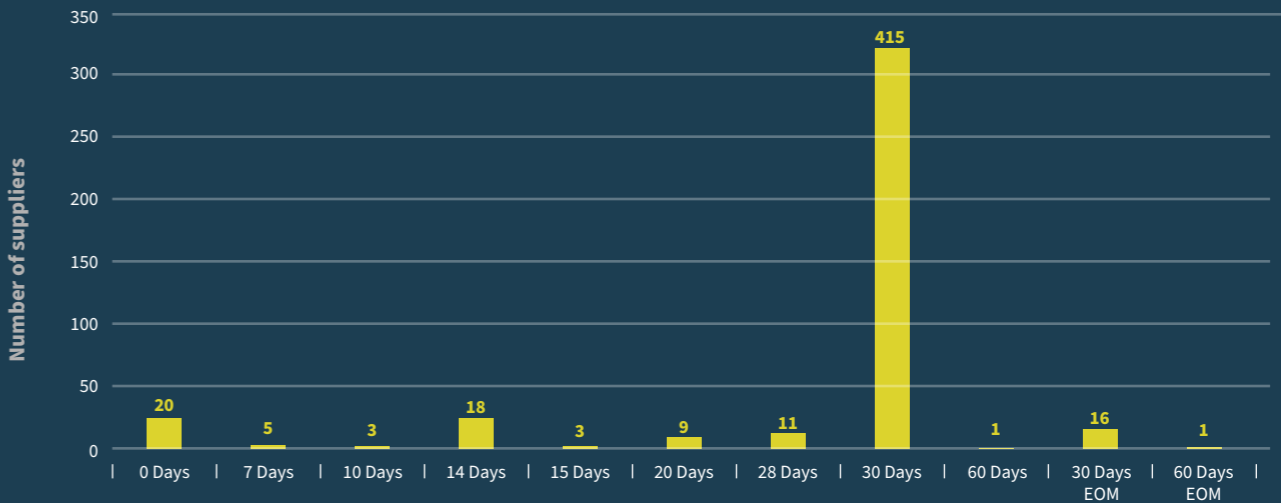
Where appropriate, we utilise procurement cards for smaller transactions – removing the need for supplier credit

Suppliers are encouraged to follow paperless invoicing and send their invoices to us digitally. We work with our larger partners to implement electronic invoice processing and reconciliation

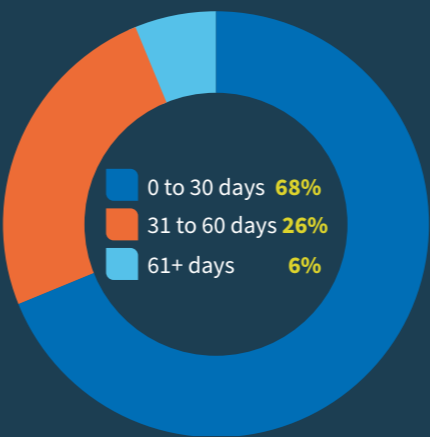
Supply chain finance is not utilised

Portsmouth Water continues to meet the recommendations for payments under government contracts (PPN015 and PPN018).

Supplier payment data relating to six months to 31 March 2025



Breakdown of Percentage Paid



Average number of days taken to make payments within the dates above from receipt of invoice\* **26.7 days**

Invoices paid outside of terms in the period:\*

	Number of invoices	% of total invoices processed in period
Not paid	219	3.4%
Not paid within terms	1,704	26.5%
Not paid within 30 days of receipt	1,237	19.2%
<b>Total</b>	<b>3,160</b>	<b>49.1%</b>

Invoices with a receipt date between 1 October 2024 and 31 March 2025

Total number of invoices processed during period	<b>6,433</b>
Total number of those invoices paid	<b>6,214</b>
Total number of those invoices unpaid	<b>219</b>
Total number of those invoices unpaid but due	<b>169</b>

\*Statutory disclosure requirements

# PRINCIPAL RISKS AND UNCERTAINTIES

Effective risk management is critical to the achievement of our strategic aims and customer outcomes. As a company, risk management is embedded in our day to day activities and we use a range of formal and informal processes to make sure we keep risk management at the heart of what we do. We continue to revise the assessment of the ‘Operational and Financial’ risk categories in terms of both likelihood and trend to reflect the impact of geopolitical uncertainty.

KEY to occurrence	Likelihood of occurrence			Impact of occurrence			
	● Low	● Medium	● High	● Negligible	● Moderate	● Serious	● Catastrophic

We have summarised in the following table an overview of our risk management priorities. This summarises the type of risk, explains the likely impact and summarises the mitigations (plans, controls and actions) in place. It also provides an indication of the likelihood and potential impact of each risk occurring, together with the Board’s assessment of the trend (increasing, decreasing or stable). In each category the level of required mitigation and control is determined by the Company’s risk tolerance. On an annual basis the Board reviews its tolerance for risk and sets appropriate levels. Further information on the Board’s approach to risk is set out in the Corporate Governance section which commences on page 100.

OUR CUSTOMERS	Potential impacts	Nature	Likelihood	Impact	Trend	Mitigation/control
<b>Operational</b> – The significant loss of treatment works or failure of critical parts of the mains network or impact of major national event including contamination of raw water sources.	Failure to supply customers over an extended period.	Operational Reputational Financial				<ul style="list-style-type: none"><li>The supply network has been developed to connect different supply areas, such that in most situations water can be transferred to compensate for a failure at a treatment works or in the network. Double the industry standard of treated water storage (48 hours) plus wide coverage of network with pressure management also support a highly resilient system.</li><li>A fully documented Emergency Plan which is initiated in the event of a major incident.</li><li>Employment of modelling, telemetry and monitoring to maintain the resilience of the network.</li><li>Innovative programme to reduce risk of domestic oil spills and oil alarms (POC) now installed at all treatment works and mobile treatment (GAC) facilities which can be re-deployed in the event of an incident.</li></ul>
<b>Water quality</b> - Failure against drinking water quality standards.	Water not fit to drink.	Operational Reputational Financial				<ul style="list-style-type: none"><li>A Drinking Water Safety Plan which identifies the potential risks throughout the supply process.</li><li>A rigorous sampling regime in accordance with statutory legislation together with 24 hour monitoring and response</li><li>Following a disappointing number of sample failures in 2023, improvements were made to internal sampling which had created problems, resulting in a strong ODI performance in 2024.</li><li>Membrane filtration at four of the treatment works considered most at risk from cryptosporidium. Ultra violet treatment plants built at three other high risk sites.</li><li>A programme responding to DWI notices which includes changes in process, structure and culture. This reduces the likelihood of water quality failure.</li></ul>
<b>Business continuity</b> – Scenarios for loss of major business elements such as key operational sites, power, telecoms, IT, personnel.	Adverse impact on ability to carry on normal business activities. Potential impact on ability to supply services to customers and ultimately potential impact on business viability.	Operational Reputational Financial				<ul style="list-style-type: none"><li>Defined and documented Emergency Plan in place which utilises Drinking Water Safety Plan (DWSP) risk assessments.</li><li>Business continuity planning processes. See also IT risk mitigations.</li><li>Appropriate insurance cover.</li><li>Supply chain assessments. Water sector working group headed by Defra to increase resilience. Emergency planning scenarios tested regularly.</li></ul>
OUR PEOPLE	Potential impacts	Nature	Likelihood	Impact	Trend	Mitigation/control
<b>Human resources</b> – Loss or shortage of critical skills, company knowledge or operational capacity. Possible over reliance on key individuals.	Adverse impact on ongoing operational activities. Poor business decision making due to lack of knowledge or experience.	Operational Reputational				<ul style="list-style-type: none"><li>Regular succession planning reviews at the Board level and Non-Executive Directors with appropriate, relevant skills mix.</li><li>Continue to roll out new People Strategy focused on developing the right culture, attracting and retaining the people we need and enabling staff to do their best work.</li><li>Control procedures and policies in place to ensure that all relevant legislation is complied with.</li><li>Appropriate use of contractors and consultants to support the business needs, especially in key specialist areas which lead strategic change.</li><li>Changes to Terms and Conditions, introduced to ensure the business remains competitive regarding retaining and employing staff.</li></ul>
<b>Health and Safety</b> – Failure to maintain appropriate Health and Safety standards.	Serious injury or death of employee or contractor. Prosecution by HSE.	Reputational Financial				<ul style="list-style-type: none"><li>Culture of Health and Safety awareness and “zero tolerance” policy led from the Board down including a Health and Safety Committee.</li><li>Separate Health and Safety sub-committees set up on Operational Safety, Head Office Safety and Wellbeing. Each meet regularly and involve representation from across the business.</li><li>Risk assessment, training and inspections embedded in the business. All incidents reviewed for lessons learned.</li><li>Health and Safety review completed in 2023 and recommended improvements implemented.</li></ul>
OUR ENVIRONMENT	Potential impacts	Nature	Likelihood	Impact	Trend	Mitigation/control
<b>Environmental including water resources</b> – Reduction in water abstraction licences due to EA reform and sustainability issues. Climate change and population growth increases demand. Damage to the environment.	Inability to provide a sustainable supply of water to the population. Impact on habitats and biodiversity.	Operational Reputational Financial				<ul style="list-style-type: none"><li>Detailed modelling and studies in order to assess and understand the future balance of supply and demand.</li><li>Monitoring and modelling in order to identify the impact of abstraction at certain sites; identification and implementation of mitigating solutions.</li><li>Biodiversity surveying and specific schemes to support and enhance biodiversity.</li><li>The National Environmental Programme studies, reviewing the environmental impacts of abstraction, are scheduled across the next two years. These will shape our water resources plans in the future.</li><li>Work in conjunction with WRSE programme and contribution to development of RAPID water resources programme.</li><li>Supporting Southern Water’s recycling plans for Havant Thicket Reservoir which are included in future water resources plans to protect chalks streams in Hampshire.</li></ul>
OUR BUSINESS	Potential impacts	Nature	Likelihood	Impact	Trend	Mitigation/control
<b>Financial 1</b> – Liquidity, solvency, capital risk and credit risk, increased inflation and other economic factors.	Insufficient funds or facilities to finance capital programme, service debt or for day to day operating cash flow requirements. Breach of financial covenants and/or breach of licence conditions for financial viability. Inability to pay dividends. Inability to recover revenue due to increasing bad debt driven by socio-economic conditions.	Financial				<ul style="list-style-type: none"><li>An appropriate capital structure with a mixture of cash, debt and equity together with appropriate credit facilities.</li><li>New Debt Structures and additional shareholder funds for Havant Thicket Reservoir secured across the last three years.</li><li>Effective processes of budgeting for costs and cash flows. This includes close monitoring of headroom against financial covenants and stress testing.</li><li>Mitigation of significant costs or claims.</li><li>Utilisation of all appropriate means of debt collection, including the use of a dedicated debt recovery section and collection agencies.</li><li>A Social Tariff (Helping Hand) supporting our financially vulnerable customers.</li><li>Successful raising of additional debt financing and changes made to current Artesian Finance to remove sinking fund obligations.</li><li>An appropriately experienced management team supporting development of the Havant Thicket Reservoir project.</li></ul>
<b>Financial 2</b> – Exposure to increasing costs or other financial loss, reducing the financial viability of the Company.	Significant costs, such as power or interest expense, limited control and result in trading losses. Unexpected events, such as significant claims against the Company result in significant costs. Recent increases in energy prices, coupled with the Ukraine conflict have increased the likelihood.	Financial				<ul style="list-style-type: none"><li>An effective system of internal controls together with a process of budgeting and forecasting to manage the underlying cost base.</li><li>Both interest payments and revenue are currently linked to inflation and therefore provide a natural hedge.</li><li>Comprehensive insurance cover for a range of risks, including damage to property, public and employee liability cyber, fraud and terrorism.</li><li>An independent full review of Internal Controls was carried out during 2023 and all recommendations have subsequently been implemented.</li><li>A new Internal Audit Function was set up early in 2025 to improve assessments of internal operations, processes and controls.</li></ul>
<b>Regulatory</b> – Regulators’ actions have an adverse impact on the business. DWI and EA related regulatory impacts are considered under Water Quality and Environmental risks.	Failure to meet customer service standards or Outcomes agreed with Ofwat may result in penalties. Unexpected changes in the Ofwat regulatory approach. Increasing Regulatory Requirements.	Reputational Financial				<ul style="list-style-type: none"><li>Performance against regulatory targets is reviewed on a monthly basis by the Board and the Executive Directors.</li><li>Close engagement with Ofwat through consultation processes, workshops and industry groupings.</li><li>The Company responded to the Cunliffe Review in March 2025 and await the recommendations of the largest review into the water industry in England and Wales since privatisation</li></ul>
<b>Legal and governance</b> - Failure to meet our legal obligations particularly licence conditions and data protection. Lack of appropriate Governance.	Prosecution or fines as a result of company failure. Significant adverse publicity and loss of reputation.	Reputational Financial				<ul style="list-style-type: none"><li>UK Corporate Governance Code and Ofwat leadership, transparency and governance code framework applied and ongoing review.</li><li>Internal policies review and relevant employee training completed annually.</li><li>Performance reviewed at Board and Executive meetings.</li><li>Appointed Data Protection Officer and appropriate policies. Annual training for all people annually. DPO reports to the Audit and Risk Committee annually.</li></ul>
<b>Major programme delivery</b> – Delivery of Havant Thicket Reservoir and proposed roll out of the demand reduction programme.	Major programme delay, cost overruns and regulatory ODI or PCD penalty.	Operational Reputational Financial				<ul style="list-style-type: none"><li>Detailed risk register and risk management process.</li><li>Appropriately experienced and qualified programme management teams.</li><li>Signed contracts with Southern Water set out key terms and protections. Demand Reduction Meter contracts also agreed. Kraken implementation successfully achieved.</li><li>Specific regulatory protections including cost adjustment mechanism and licence obligations.</li><li>Appropriate funding for projects achieved through the Final Determination.</li></ul>
<b>IT</b> – Significant cyber-attack on the Company.	Loss of critical computer systems resulting in failure to operate business as usual activities.	Operational Reputational Financial				<ul style="list-style-type: none"><li>We leverage a mix of technologies, threat intelligence, training and network isolation in order to protect, detect, contain, respond and adapt to the continuously evolving cyber threat.</li><li>Standard operating procedures such as regular back-ups held off site. Duplicate IT infrastructure held in a secure off site location.</li><li>A clear disaster recovery programme in place to enable us to continue working should the systems fail.</li><li>Internal and external penetration testing completed by independent third party.</li><li>Increase employee communications and training to reflect the increased threats identified, both within the UK in general and the water industry.</li><li>Board review Cyber Security Update at each meeting and have received appropriate eCAF Training over past 12 months.</li></ul>

# VIABILITY STATEMENT

## 1. Assessment of prospects

The Board has assessed the prospects of the Company over a future period of 10 years.

### Background information

The Company's business model and strategy are central to an understanding of its prospects. Further explanation of the business model and strategy can be found on pages 16 to 29. As a regulated, capital intensive, utility provider the nature of the Company's activities are long term and, although subject to regulatory changes, the business model is generally stable.

The Company has just completed the final year of the current AMP7 five-year regulatory cycle (2020-2025). The Company's overall strategy, budgets and cash flow projections are intrinsically linked to this Ofwat regulatory review cycle. Consequently, the five-year regulatory business plan, which runs from 1 April 2025 to 31 March 2030 (AMP8) and the related Ofwat Final Determination are the primary drivers that determine the Company's prospects. The Final Determination sets out the allowed revenue, operating expenditure, capital expenditure and agreed business outcomes for this period.

In addition to the 2025-30 (AMP8) period, we have extended our forecasts for the core business to reflect our current estimate of the likely regulatory outcome for the next regulatory period, from 2030 to 2035 (AMP9). Further information in respect of the regulatory regime is set out in page 83.

The Board continues to take a balanced approach to the Company's strategy. The business' focus is largely on delivering the agreed regulatory outcomes and outperforming the capital and operating cost objectives set out in Ofwat's Final Determination for each regulatory period.

Decisions relating to major capital schemes, water quality, resilience of supply and changes to the business strategy are made with a low tolerance for risk. In particular, the Board has considered the changes in the risk profile of the Company in its business plan resulting from the lower allowed cost of capital, the development of Havant Thicket Reservoir and other major capital programmes and a more challenging regime of rewards and penalties.

### The assessment process of the Company prospects

The Board recognises the assessment of viability is dependent upon forecasts which, by nature, involve a significant element of uncertainty.

### Budget process

The Company's prospects are routinely assessed, primarily, through its budgeting process and monitoring of its performance against regulatory outcomes. These are closely linked to the financial position set out in the Ofwat Final Determination for the relevant periods, as well as the Havant Thicket Reservoir price control arrangement, which runs to 31 March 2030.

The forecasts prepared included;

- Detailed budget cost and revenues analysis by business function for the forthcoming (2025-26) financial year.
- Longer term analysis & plans to 31 March 2030 in line with the AMP8 Final Determination.
- Cash flow and financing projections to 31 March 2030
- Projections of key financial ratios, including those required for banking covenants, to maintain an investment grade credit rating.

It also has regard to committed and projected equity and debt funding, liquidity positions and expected future funding requirements.

This assessment process involves an annual review and update of the budget and related business objectives, led by the CEO and CFO, through the Company's Budget Committee.

All Company functional heads are involved in this review, ensuring that financial plans align with the company's strategic direction. A key part of the budget reviews are a comparison of the projected total operating and capital expenditure ('Totex') against that set out in the Company's submitted business plan and the Ofwat Final Determination for the period.

The current annual budget process for the 2025-26 financial year was completed and approved by the Board during April 2025 in conjunction with formalising the 2025-2030 five-year plan.

The key business assumptions included in the budget related to:

- Objectives and targets set in line with the Ofwat Final Determination, ensuring the company is fully prepared to deliver successfully.
- Expected changes in inflation over the period (CPIH), which drives tariffs and related customer billings.
- Levels of capital and infrastructure renewals spend and related efficiency and cost saving requirements.
- Levels and timing of capital spend relating to Havant Thicket Reservoir and other approved capital projects.
- Detailed headcount and resource planning to facilitate the ambitious capital programme.
- Expected interest rates and loan indexation rates impacting borrowing costs.
- Levels of operating expenditure, out-performance against the Final Determination and targeted cost savings.
- Levels of activity and costs related to delivering key ODI improvements – particularly leakage and PCC.
- There being no fundamental changes to the current Ofwat regulatory regime over the 2025-30 (AMP8) period.

### Risk assessment

The Board performs regular reviews of the principal risks and uncertainties that impact the business, and a formal annual review and assessment was completed and updated in March 2025.

The Board has also performed an assessment of 'resilience in the round'. This builds from an understanding of operational risks through financial resilience, with regard to overall company resilience, its governance and management effectiveness. This review was updated during the current financial year as part of its submissions and agreement with Ofwat for the 2025-30 Final Determination.

The overall summary of the principal risks and uncertainties (see pages 94-95) reflects this consideration of 'resilience in the round'. Details of the Board risk assessment process are set out on page 111.

The purpose of the principal risks table is, primarily, to summarise those matters that could prevent the Company from delivering on its strategy. Several other aspects of the principal risks – because of their nature or potential impact – could also threaten the Company's ability to continue in business in its current form if they were to occur. They were considered as part of the assessment of the Company's longer-term viability, as explained further below.

In setting out specific scenarios for the Viability Statement we have reviewed the risk register together with resilience modelling based on the 2025-30 (AMP8) Final Determination.

### The period of assessment

The Board conducted the initial assessment based on the detailed plan in place for the 2025-30 (AMP8) regulatory period, through to 31 March 2030. An extension to this plan was then applied to cover the AMP9 period through to 31 March 2035. The Board considers this period to be most appropriate given the current stage of the regulatory review cycle, the longer-term nature of the business and the current assessment of the Havant Thicket Reservoir construction, which is now expected to become fully operational in AMP9.

The assessment also assumes there will be no fundamental changes to the nature of the Ofwat regulatory regime over this period although the Board actively keeps abreast of these issues.

The Board has concluded that this is an appropriate length of time to permit a reasonable assessment of likely business performance and to make reasonable estimates of key assumptions. As set out above, the Ofwat 2025-30 Final Determination, the delivery of Havant Thicket Reservoir project and the related outcomes are significant drivers of the business strategy and performance. These are expected to remain as key drivers though to 31 March 2035.



Preparatory activities for Havant Thicket Reservoir

VIABILITY STATEMENT

2. Assessment of viability

As noted above, the assessment of viability uses a period of five-years, based on the 2025-2030 Final Determination to 31 March 2030, with an extension to this for a further five years to 31 March 2035. These results reflect the Directors’ best estimate of the likely future prospects of the business.

The Directors have also ‘stress tested’ the potential impact on the Company of a number of scenarios. This has been performed by quantifying the financial impact and overlaying the outcomes into the financial forecasts.

The potential impact has been considered in relation to operating profit, cash flow, liquidity and the key financial ratios needed for banking covenants (Artesian Bank Loan) and the retention of an investment grade credit rating with Moody’s (such as covenant and regulatory gearing, and interest cover (ICR)). These scenarios (which are summarised on page 99), have been driven from the Board’s risk assessment processes.

These scenarios are considered to best represent ‘severe’, ‘plausible’ and ‘reasonable’ circumstances that the Company could experience over the assessment period.

The ‘stress testing’ has included making changes to a number of the key business assumptions inherent in the base business forecasts. These include changes in market interest rates and key inflation measures such as Retail Price Index and Consumer Price Index. In each case the availability and effectiveness of management mitigating actions which could reasonably be taken to reduce the impact was considered. The primary mitigating actions relate to the use of available credit facilities, the sourcing of new equity and credit facilities, the ability to defer capital and renewals spend and the discretion not to pay dividends.

Additional credit facilities available include the undrawn Revolving Credit Facilities from Lloyds and NatWest Banks (Opco Debt), together with external debt passed down as Intercompany loans from its parent company, Brockhampton Holdings Limited (Holdco debt).

It has also been assumed that adverse impacts, which may have an adverse but short lived (one year) effect on financial ratios, could be managed by careful discussion with key stakeholders such as bond holders and the rating agencies.

Discussions with our rating agency indicate that, while gearing levels remain modest in the Company’s projections, a lower Interest Cover Ratio may be needed to maintain our current credit rating.

The results of this stress testing showed that, due to the overall stability of the business, the Company would be able to withstand the impact of these scenarios occurring over the period of the financial forecasts by adjusting its operating plans within the normal course of business. This included both the restriction and deferral of dividend payments.

During the year ended 31 March 2025 the Company has performed some actions to increase financial resilience, including:

- Additional parent company funding fixed-rate loan provided into the company (£30m) relating to funding provided by its ultimate controlling party Ancala LLP. This provides further mitigation against uncertain market interest environments.
- Extension of existing swap financial instruments to cover:
  - RPI-CPI inflation risks (applicable to the Artesian Bank Loan) through to 2032; and
  - Fixed-Floating interest rate risks through to 2028.

3. Viability statement

Based on their assessment of prospects and viability above, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period ending 31 March 2035.

4. Going concern

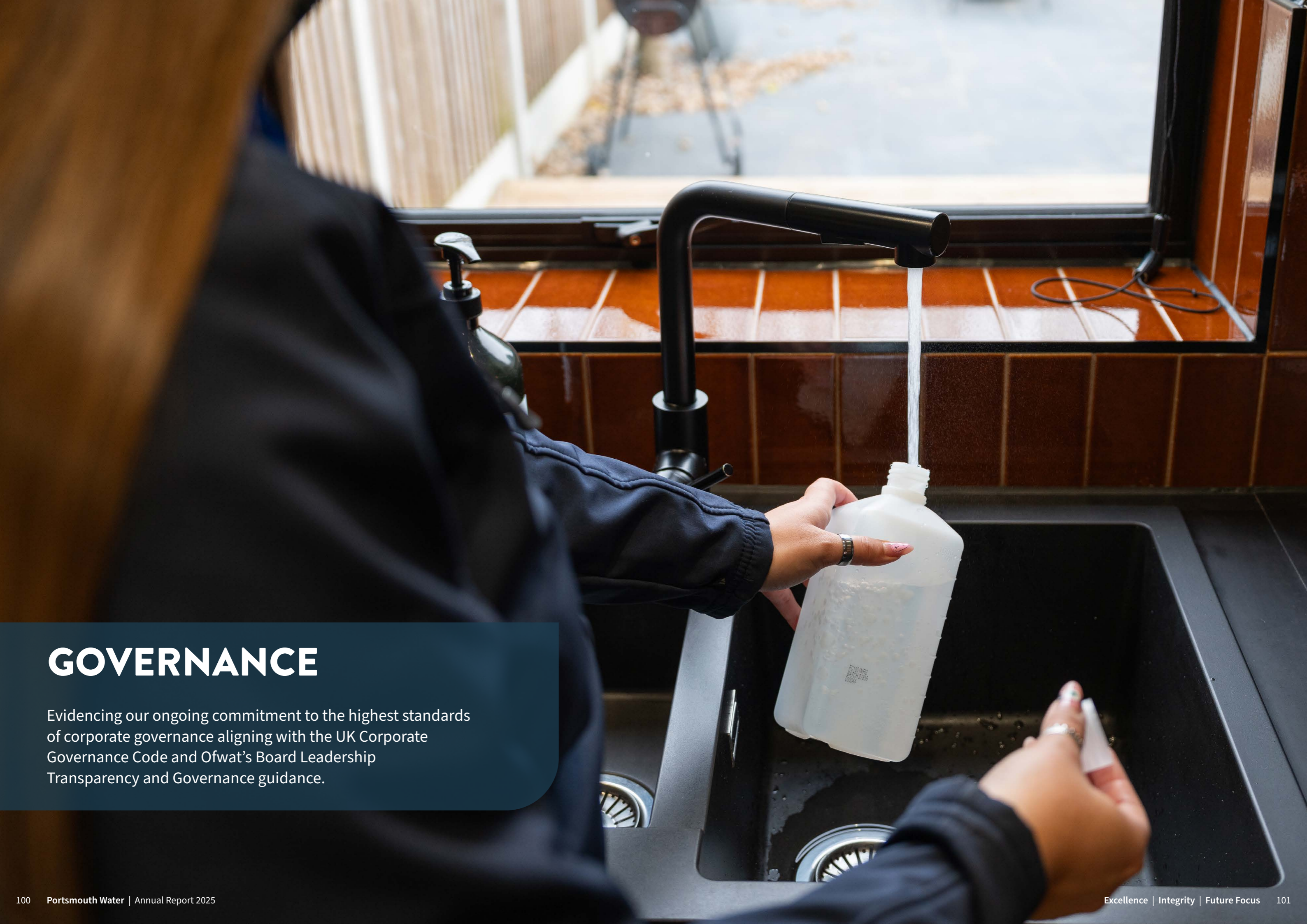
The Directors also considered it appropriate to prepare the financial statements on the going concern basis, as explained in the Basis of Preparation paragraph in note 1 to the financial statements.

For and on behalf of the Board

Bob Taylor  
Chief Executive Officer

Set out below are summaries of the results of the financial sensitivity analysis performed in support of the Viability Statement on a ‘pre’ and ‘post’ mitigation basis

Individual Scenario	Assumptions	Results/ Impact	Mitigation
Plausible Scenarios			
Cost of living impacts: - Customer bad debt - Inflation	Annual bad debt cost increases from £0.4m to: - FY26: to £0.8m (+100% increase on budget) - FY27-FY30: to £0.6m per year (+50% increase on budget)  Inflation: - FY26: +2% - FY27: +2%	EBITDA decreases by £1.2m in FY26 and £1.6m in total over the rest of the AMP FY27-FY30  Capex increases by £0.8m in FY26 and £0.8m in FY27  Artesian ICR at 1.45 in FY26  Gearing increases from 54.7% to 54.9% in FY26 and 76.3% to 76.6% in FY27	Increased borrowings by £5m by end of FY26 (from existing Opco bank facilities) and by £10m by end of FY27 (from additional equity funding and extended Opco bank facilities expected to be in place) to finance higher opex and capex spend required
Market interest rates: - SONIA	SONIA:  - + 100bps through AMP8	£5.8m increase to interest payable in AMP8, partially mitigated by £0.2m increase in interest receivable on cash investments.  Additional loan/equity finance required from FY27 onwards to fully fund Havant Thicket Reservoir project expansion.	Additional funding for increased CAPEX spend of £20m by 31 March 2030
Non-performance of business & regulatory penalties - 3% RORE ODI penalty	£3.0m penalty in FY28, £3.5m in FY29 & £4.0m in FY30	EBITDA reduction of £10.5m over FY28-FY30  Increase in net interest of £0.4m and net debt of £5m at FY30 year end	Additional funds of £4m added to the Proceeds account in order to avoid Artesian breaches in FY27-FY30
Havant Thicket Reservoir (HTR) project: - 10% project spend overrun - Two year completion delay	Havant Thicket Reservoir spend increases by 10% in the next AMP and project completion is delayed by 2 years	Capex spend decreases by £150m in FY26-FY30. Interest payable reduced to £14m due to delayed expenditure and longer-term loans decrease by £160m at FY30 end.	Ensure adequate cashflow and deposit facilities in place to maximise benefits of surplus funds.
Other Capital projects: - overspend core business capex by 10% overspend 10%	AMP8 capex programme (non-HTR) execution 10% higher than expected	£19.5m additional capex in AMP8. Net interest payable increases £2.3m over AMP8. Artesian ICR failed in FY26 at 1.1x, and by FY28 the rate is at 1.35.	Additional £20m in loan drawdown required by FY30 end. Proceeds account increased by £5m required to meet Artesian loan interest rate cover.
Severe Scenario			
Combination - market interest rates (SONIA) - HTR overspend +10% Core Capex +10% - Bad Debt to £0.8m in FY26 & £0.6m in FY27-FY30	SONIA increases by 100bps through AMP8  HTR is delayed by two years with 10% increased spend, other capital projects increase spend by 10%, Bad debts increase to £800k in FY26 and £600k per year over the rest of the AMP	Capex decreases by £130m over the AMP.  Long-term loans reduce by £120m by FY30 end and interest payable reduces by £8m due to delay in HTR spend.	Interest rate cover is 1.15x in FY30  Reduction of £7m required in Proceeds account to meet Artesian ratio



# GOVERNANCE

Evidencing our ongoing commitment to the highest standards of corporate governance aligning with the UK Corporate Governance Code and Ofwat’s Board Leadership Transparency and Governance guidance.



**Christopher Deacon**  
Independent Chairman  
June 2025

# GOVERNANCE OVERVIEW

## Chairman’s Introduction

We continue to remain committed to the highest standards of Corporate Governance and take the lead from the UK Corporate Governance Code and Ofwat’s Board Leadership Transparency and Governance guidance.

We refer throughout this report to the provisions and principles of the UK Corporate Governance Code and we have also summarised on pages 112 and 113 how we complied with the Ofwat Provisions. The key areas of governance considerations over the year are listed below:

### Water (Special Measures) Act 2025

This legislation gives Ofwat new powers to set requirements for companies on remuneration and governance. We have observed the new legislation includes prohibiting performance-related executive pay and potential tougher legislative penalties, where businesses fail to protect the environment, their consumers and their finances. We have supported the principle of this legislation throughout its development and have included malus and clawback provisions into the contracts of our executives.

### Executive Pay

In line with the executive pay measures above, external advice is being sought as the Board develops an appropriate structure for the upcoming 2025-30 new regulatory period. This will see clearly defined stretch targets and focus on customers, communities and the environment and consideration of performance in the round.

### Risk Management

Throughout this report, we have explained how the business is growing and changing. The emphasis is on us, greater than ever, to ensure we have robust risk management systems. During the past year we have updated our risk management approach and we are introducing a new Executive Risk Committee, with a direct link into the Audit and Risk Committee. We have also recently appointed for the first time an internal auditor to help embed better risk management processes and procedures across the business.

### Change to Articles of Association

Along with the rest of the industry we were challenged by the Secretary of State to amend our Articles of Association to explicitly add an objective around customers, society and the environment. We approved this change and established an ESG Committee, with Board engagement, to oversee this.

### Links

A copy of the FRC 2024 UK Corporate Governance Code can be found at:  
[https://media.frc.org.uk/documents/UK\\_Corporate\\_Governance\\_Code\\_2024\\_a2hmQmY.pdf](https://media.frc.org.uk/documents/UK_Corporate_Governance_Code_2024_a2hmQmY.pdf)

A copy of the Ofwat Board Leadership Transparency and Governance principles can be found at:  
<https://www.ofwat.gov.uk/wp-content/uploads/2019/01/Board-leadership-transparency-and-governance-principles-2019-updated-July-2019.pdf>

# OWNERSHIP STRUCTURE

The chart on the next page shows the ownership structure of the Company and the wider Group. All companies are wholly owned and all companies, including the ultimate parent company Ancala Fornia Topco Pte Limited (which is Singapore registered), are resident in the UK for tax purposes.

### Overview and history

Portsmouth Water Limited is the primary trading company in the group and is included within the water industry regulatory ring-fence as established by the Instrument of Appointment. The immediate parent of Portsmouth Water Limited is Portsmouth Water Holdings Limited, a company established in 2002 to protect the interest of Bond holders by exercising control over any dividend distributions.

Ancala Partners LLP (‘Ancala’) is a UK-based infrastructure fund manager. The acquisition of the South Downs Capital group of companies, in March 2018, was undertaken by Ancala Fornia Limited, which is incorporated in the UK. Ancala Fornia Midco Limited and Ancala Fornia Holdco Limited were also inserted into the Group as part of the acquisition structure.

The ultimate parent undertaking is Ancala Fornia Topco Pte Limited (AFTPL) which is incorporated in Singapore but resident for tax purposes in the UK. The investors in AFTPL comprise a number of investment vehicles, all focused primarily on European long-term infrastructure investment and managed by Ancala Partners LLP. Ancala manages more than €4 billion of funds with investment primarily from UK and European pension plans and institutional investors with a long-term investment horizon.

In 2018, the ultimate parent undertaking was originally Southern Region Water Holding Limited (SRWHL), a company registered and domiciled in Hong Kong. To finance the additional capital requirements for the Havant Thicket Reservoir project, Ancala established AFTPL as a new investment holding company to replace SRWHL. The transaction to switch the ultimate parent undertaking took place in July 2023.

We consider AFTPL to be the ultimate parent company and Ancala Partners LLP to be the ultimate controlling party. Consolidated group financial statements for the year ended 31 March 2025 will be prepared at both the AFTPL and Ancala Fornia Holdco Limited level.

### Financing

Portsmouth Water Limited was, from 2002 onwards, financed primarily by way of an index-linked loan secured over the assets of the Company. This £66.5m loan was issued in June 2002 and is repayable in September 2032. The loan interest is calculated by adjusting the value of the loan each year by RPI and then charging interest on this amount at a fixed rate of 3.635%. The current value of the loan is £147.4m (2024: £142.3m). In 2022 changes were made to remove the sinking fund requirements of the loan to avoid the need to deposit significant cash sums over the five years prior to 2032.

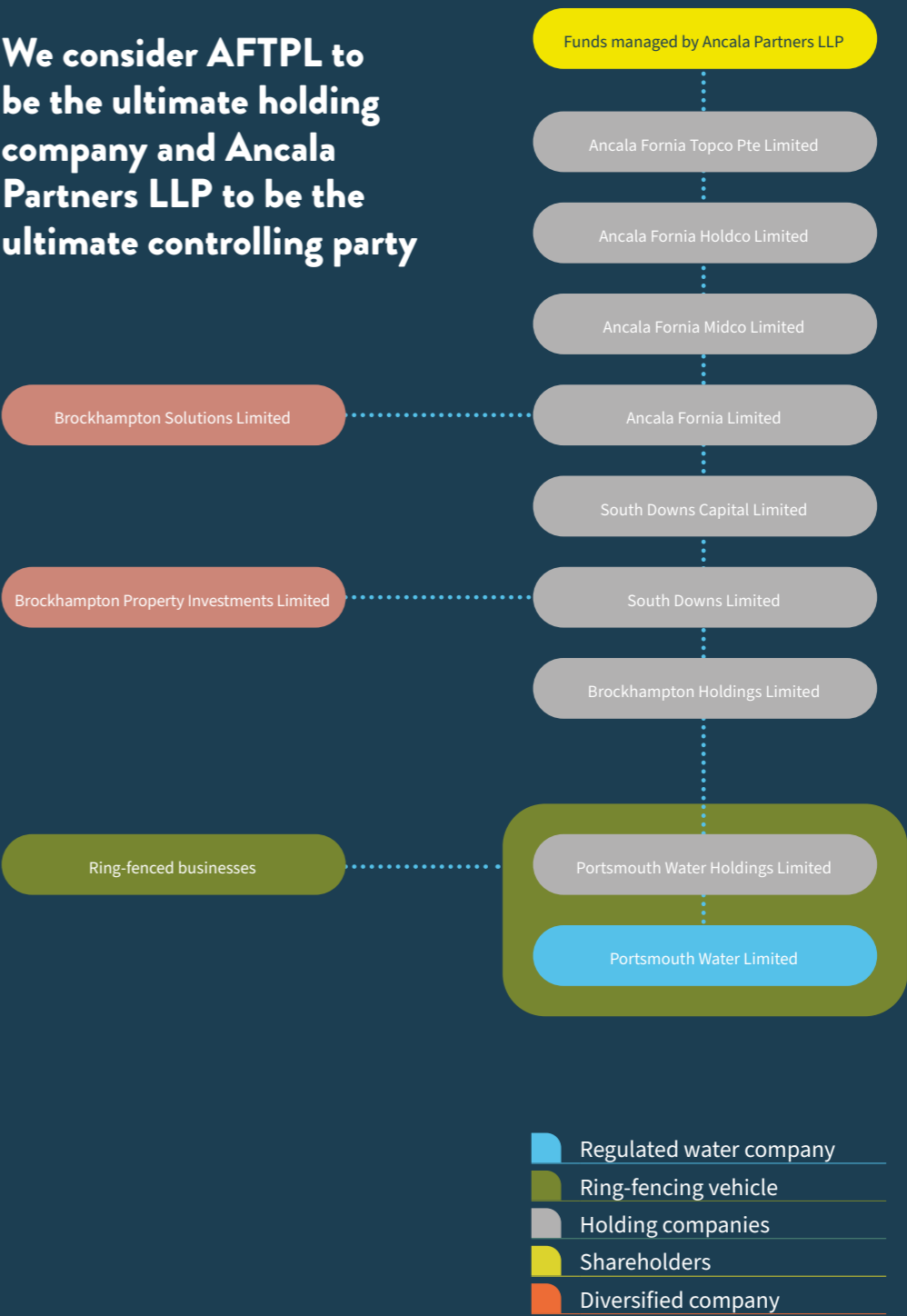
In March 2023 additional debt facilities were raised to finance the development of Havant Thicket Reservoir. This was raised under four different debt facilities which total £295m within Portsmouth Water Limited and a further £45m at Brockhampton Holdings Limited.

The £295m facilities in Portsmouth Water Limited are split between the following:

- a £75m CPI index-linked bond, which was issued in March 2023 and is repayable in March 2037. The loan interest is calculated by adjusting the value of the loan each year by CPI and then charging interest on this amount at a fixed rate of 2.63%. The current value of the loan is £80.3m (2024: £78.0m)
- a syndicate bank facility of £155m (led by NatWest)
- a loan facility of £50m (with current bankers Lloyds)
- a £15m overdraft facility with Lloyds.

During the year to 31 March 2024, £120m of new shareholder investment funds were provided into Portsmouth Water Limited by way of new share capital and long-term loan repayment. In the year to 31 March 2025, an additional £30m of parent company loan financing was provided, originating from the Ancala shareholder. Interest is payable on this new loan at a fixed rate of 5%.

We consider AFTPL to be the ultimate holding company and Ancala Partners LLP to be the ultimate controlling party



# BOARD OF DIRECTORS

## Independent Non-Executive Directors



**Christopher Deacon**  
**Independent Chair**

Appointed: 01 May 2020

MA

Christopher Deacon has a background in private finance in infrastructure and in the water and electricity utilities. He was Head of Project Finance with HSBC/Midland and lead banker for the Eurotunnel financing in the 1980s and since then he has been involved as a Board Adviser on major worldwide infrastructure projects. Christopher has held several Non-Executive Directorships. He stood down as a Non-Executive Director of Thames Water in 2019 but continues as an Independent Director of companies in the Aspire Defence Group. He also advises Ofwat on commercial aspects of the offshore wind programme.



**Dr. Lara Stoimenova**  
**Senior Independent Non-Executive Director**

Appointed: 17 January 2022

BSc, PhD, FCA, MA

Dr. Lara Stoimenova is a competition and regulatory policy expert with over 20 years of experience in public and private sectors. She has worked across a wide range of industries, with expertise in telecoms and digital markets. She is founder of Sigma Economics, advising firms on competition and regulatory issues. Lara currently serves as an independent member on the boards of Jersey Competition Regulatory Authority (and chair of its Audit and Risk Committee) and UK's Payment Systems Regulator. Before Sigma, Lara was a partner at Flint Global and co-head of its Competition and Regulatory practice. Prior to that, she held senior roles at the UK's Competition and Markets Authority (CMA) and the Office of Communication (Ofcom).



**Sharon Darcy**  
**Independent Non-Executive Director**

Appointed: 16 October 2023

BA (Hons), IPFA

Sharon is a sustainability expert. She is Chair of international charity CHEM Trust which works to prevent synthetic chemical pollution and a Non-Executive Director of the Energy Saving Trust. Sharon was previously CEO of Sustainability First, a leading environmental, social and economic think tank focused on utilities. She has over 20 years of board experience including with the Solicitors Regulation Authority, Nest pensions, and Consumers' Association and has sat on multiple expert advisory and innovation panels, including for Ofwat, the energy regulator (Ofgem), the UK Regulators' Network and the National Infrastructure Commission. A qualified accountant, Sharon began her career at the National Audit Office.

## Executive Directors



**Colin Robert Taylor**  
**Chief Executive Officer**

Appointed: 01 November 2018

BSc, MSc, MBA, CEng, FICE

With nearly 40 years' experience in the water industry Bob has held a range of senior roles including Operations Director (Drinking Water Services) at South West Water and Managing Director/Director of Operations at Bournemouth Water. Prior to this he was the Business Development Director with Singaporean group Sembcorp responsible for development of the municipal water and wastewater business (with specific focus on the Middle East, South America and India). Bob is currently a Director of Water UK, past president and Director of the Institute of Water, and a Director of UKWIR.



**John Christopher Milner**  
**Chief Financial Officer**

Appointed: 01 October 2021

ACMA, CGMA

Chris is a Chartered Management Accountant with over 20 years' experience in utilities. He has comprehensive knowledge of the regulated UK Water Industry starting his finance career at United Utilities before moving to Severn Trent Water where he held a number of senior roles within Strategy and Regulation. In 2016 he was a member of the team that established Water Plus Limited, the UK's largest Water Retailer. During his time at Water Plus he held the roles of Financial Controller and Interim Chief Financial Officer. He joined Portsmouth Water from a US private equity owned international luxury fashion group where he was in charge of global financial operations during a period of global restructuring.

## Shareholder Nominated Non-Executive Director



**Christopher Loughlin**  
**Investor Representative**

Appointed: 01 April 2021

BSc, MICE, CEng, MBA

Chris has extensive experience of the regulated business environment and the management of major engineering and infrastructure services. He has been Group Chief Executive Officer of Pennon, a FTSE 100 company, Chief Executive of South West Water and a Director of a wide range of organisations over many years. He started his career as a chartered engineer working in both the consulting and contracting sectors and, after holding a number of senior positions with British Nuclear Fuels plc, joined its Board as a Non-Executive Director. He was also Chief Operating Officer with Lloyds Register and before that, Executive Chair of Magnox Electric plc. He was also a senior diplomat in the British Embassy, Tokyo. Chris has a comprehensive understanding of the water industry and sits on the Creditor Committee at Thames Water.

# BOARD OF DIRECTORS

Name of Director	Board Meeting (8)	Audit and Risk Meeting (4)	Nomination Meeting (1)	Remuneration Meeting (5)
Chairman				
Christopher Deacon	8/8	-	1/1	5/5
Independent Non-Executive Directors				
Dr. Lara Stoimenova	7/8	4/4	1/1	5/5
Sharon Darcy	8/8	4/4	1/1	5/5
Executive Directors				
Bob Taylor	8/8	-	1/1	-
Christopher Milner	8/8	-	-	-
Investment Director				
Christopher Loughlin	8/8	-	1/1	-

The Board is required to comply with Ofwat’s Board Leadership Transparency and Governance guidance. As a matter of best practice the Board is also guided by the UK Corporate Governance principles. A summary of compliance with the Ofwat Board Leadership Transparency and Governance guidance is included on pages 112 and 113 and we refer to the relevant UK corporate Governance principles throughout this Governance report.

### PROMOTING SUCCESS

UK Corporate Governance Code Principles
A successful company is led by an effective and entrepreneurial Board, whose role is to promote the long term sustainable success of the company, generating value for shareholders and contributing to wider society.
The Board should establish the company’s purpose, values and strategy, and satisfy itself that these and its culture are aligned. All Directors must act with integrity, lead by example and promote the desired culture.

Consistent with the Provisions of the Companies Act 2006, s172(1), the Board of Directors consider, both individually and together, that they have acted in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. This is set out in more detail on page 115 of the accounts. The Board comprises individuals with relevant experience and appropriate qualifications acting within a framework designed to meet appropriate levels of Governance and promote the overall success of the business for its investors and stakeholders.

During the year, the Board agreed to change the Articles of Association of the Company to introduce an objective stating the business should conduct its operations to have a positive impact on customers, society and the environment – aligned with regulatory requirements.

To ensure the business delivers on this strategy, the Board has formed an Environmental, Social and Governance (ESG) Committee to allow dedicated time to focus on these matters.

The Company’s purpose, vision and values were developed alongside the business plan and have been cascaded throughout the business. The Company’s key projects for 2025-30 are aligned with that vision.

The Board has maintained sound links with employees and wider stakeholder groups and direct lines of communication are in place between the employees and the Board (including through confidential ‘whistleblower’ policies). The Company’s Customer Scrutiny Panel has also been revitalised under a new Chair during the past year. New stakeholders have joined the Panel to add value and enable easier collaboration with stakeholder groups across our supply area.

The Board has proper regard for employee engagement and has embraced ongoing improvements in terms and conditions, as well as the benefits offered. Equity, diversity and inclusion training has been rolled out across the business and the Board continues to meet employees across the business during the year. Annual staff surveys results are shared with the Board, as are the ongoing pulse surveys, and 2024 was the year all staff obtained rewards for hitting out-performance targets in environmental ODI targets.

### HOW THE BOARD OPERATES

UK Corporate Governance Code Principles
The Chairman leads the Board and is responsible for its overall effectiveness in directing the company. Board members should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the Chairman facilitates constructive Board relations and the effective contribution of all non-executive Directors, and ensures Directors receive accurate, timely and clear information.
The Board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) Directors, such that no one individual or small group of individuals dominates the Board’s decision-making. There should be a clear division of responsibilities between the leadership of the Board and the executive leadership of the company’s business.
Non-executive Directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.
The Board, supported by the Company Secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

The Board has a schedule of matters reserved for its decision and delegates more detailed consideration of certain matters to Board Committees including the Audit & Risk, Remuneration and Nomination Committees. All these committees report directly to the Portsmouth Water Board of Directors, where the final decisions are taken. The Board is confident that reserved matters are appropriate for a regulated business and focuses on the key regulated activities, subject to delegation of authorities.

The independence of the Board is maintained with the independent non-executives being the largest group and the Investor limited to one Director in line with Ofwat guidance.

Information is circulated to the Board in a timely fashion to ensure that all Directors are fully briefed on all issues arising at Board Meetings. They are free to seek any further information considered necessary. Under the guidance of the Chair, all matters before the Board are discussed openly and presentations and advice are received frequently from senior managers. Non-executive Directors provide appropriate levels of challenge in holding the business executive Directors and senior leadership team to account.

The Board is confident that the non-executive Directors have sufficient time, experience and support to execute their duties. The matter of “over Boarding” is considered and all Directors are recognised as having appropriate capacity to carry out their roles. All Directors have access to the services of the Company Secretary and may take independent professional advice at the Company’s expense in the furtherance of their duties.

### Chairman and CEO

The roles of Chair and CEO are separate with a clear division of responsibilities between them. The Chair is responsible for leading the Board and ensuring its effectiveness. He facilitates the contribution of the Non-Executive Directors and the relationship between them and the Executive Directors. He is independent of both Management and the Investors.

### Board Committees

A range of key matters delegated to the Board’s Committees are set out on pages 116 to 131 of this Corporate Governance Report. The Terms of Reference of each of the Board’s Committees are reviewed annually and are available upon request from the Company Secretary at the Company’s Registered Office. The Havant Thicket Reservoir Project is viewed as such a significant project that it has its own designated Board Sub-Committee. This ensures clear Terms and Governance to make sure the highest standards are maintained as the project progresses.

### Conflicts of interest

The Board has a ‘Conflict of Interest’ policy which defines conflicts of interest, sets out the requirement to declare such conflicts and agrees how any conflicts arising would be dealt with. This includes the position that “interested” Board members should not vote on matters affecting their own interests. Conflicts of interest are considered before the start of each meeting.

### BOARD EFFECTIVENESS

UK Corporate Governance Code Principles
The Board and its Committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.

# BOARD OF DIRECTORS

There have been a number of changes in the Board composition in the last four years and further information is set out in the Directors’ biographies. The Board consists of three Non-Executive, two Executive Directors and an Investor Director.

We believe the composition of our Board is appropriate for balancing the needs of customers, the environment and our shareholder, and also complies with the Governance requirements of Ofwat.

It is considered that the Board and its Committees have the appropriate balance of skills, experience, independence and knowledge to enable them to discharge their duties and responsibilities effectively.

The appointment of Sharon Darcy, with strong experience of Customer and Stakeholder engagement, as well as an expertise in communities and the environment, alongside the appointment of Dr Lara Stoimenova, with her considerable experience of the regulatory environment and financial background show how the Board reviews the required skills and changes to reflect any gaps in the appropriate experience required at Board level.

PERFORMANCE EVALUATION

UK Corporate Governance Code Principles
Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each Director continues to contribute effectively.

On an annual basis the Board devotes time away from standard meetings to conduct a Board Evaluation of its performance over the previous year, individually and collectively. These reviews have the dual objective of offering assurance to the Board on its Governance effectiveness and seeking out opportunities for continuous improvement.

The evaluations continue to conclude that the Board operated effectively, and that each Director demonstrated commitment to the role and performed effectively. They note the quality of Governance arrangements in place – particularly given the size of the business and were positive about the quality of the Board discussions and management information.

The progress on diversity was noted with recent Board and Senior Management appointments and the Board were the first cohort to undertake the recent refreshed Equity, Diversity & Inclusion (‘EDI’) training. In addition, the Board continues to strive for diversity across the business and is proud of the graduate, apprenticeship and leadership programmes within the Company, which helps to ensure inclusivity is embedded in both our organisation and in our succession planning. Diversity is crucial for the long-term success of the business.

- The 2025 Evaluation identified further opportunities for the Board to make further improvements that would benefit the business as a whole and these included –
- **Risk Management** – continue to build on the recent risk management improvements and embed new policies throughout the business, including the introduction of an Executive Risk Committee, as well as implementing the resilience improvements identified during the PR24 submission activities.
  - **Post Project Reviews** – to ensure continuous project success, the Board asked for increased reporting of post project evaluations to help them understand issues that may have occurred during the project and reassurance that the expected benefits from the project have been achieved.
  - **Succession Planning** – The Board are keen to build upon recent succession planning assessments to ensure that the business is as prepared as possible from a people position to achieve the growth expected during this new AMP.

STAKEHOLDER AND SHAREHOLDER ENGAGEMENT

UK Corporate Governance Code Principles
In order for the company to meet its responsibilities to shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties.
The Board should ensure that workforce policies and practices are consistent with the company’s values and support its long term sustainable success. The workforce should be able to raise any matters of concern.

The Board maintains a close understanding of the needs and objectives of the shareholder. The Group comprising Portsmouth Water is 100% owned by funds managed by Ancala Partners LLP. As part of the agreement when the Group was purchased, Ancala are allowed one member on the Portsmouth Water Board. During the year this was undertaken by Christopher Loughlin. In other relevant matters we work closely with Ancala both to ensure close alignment of objectives and to utilise Ancala’s relevant experience. For example the ongoing financing arrangements for Havant Thicket Reservoir were executed working closely with Ancala.

The Board is also increasing its focus on its stakeholders and, during the year, refreshed its Stakeholder Management Policy.

It has also sought to reinvigorate its Customer Scrutiny Panel, led predominately by the appointment of a new Chair, Stef Nienaltowski, who has significantly increased the membership, creating new opportunities to work with communities across our area. Their keys areas of focus are vulnerability, demand reduction, the environment and marketing and communications.

There is also a dedicated stakeholder engagement process ongoing for the development of Havant Thicket Reservoir. Further information is included in the Director’s statement in relation to compliance with section 172 (1) of the Companies Act 2006.

The Board has direct access to the senior leadership team and ensures they are regularly invited to Board meetings where topics relating to their specialist areas are being discussed. The Board also reviews feedback from employee surveys and takes time away from meetings to visit departments around the organisation and accompany operational teams in their day-to-day activities.

Finally, there is a direct route for employees to the Chair of the Audit and Risk Committee via the Company’s whistleblowing policy. Changes made this year have expanded the disclosure route and supported anonymous reporting.

The Board is comfortable engaging in these stakeholder activities, including workforce engagement. With all non-executives involved, they feel it gives each of them a greater understanding of the importance of each stakeholder, rather than designating one individual director to carry out the role.

**RISK MANAGEMENT AND INTERNAL CONTROL**

UK Corporate Governance Code Principles
The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long term strategic objectives.
The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

The Board is responsible for the Company’s system of internal control and risk management and considers this to be fundamental to the achievement of the Company’s strategic objectives. These systems and procedures are designed to identify, manage and, where practicable, reduce and mitigate the effects of the risk of failure to achieve business objectives. They are not designed to eliminate such risk recognising that any system can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board is of the view that there is an ongoing process for identifying, evaluating and managing the Company’s significant risks, that it has been in place for the year ended 31 March 2025 and up to the date of approval of the Annual Report and Accounts and that it is regularly reviewed by the Directors. The Board has also set the Risk Appetite and Risk Tolerance for the business.

As the business grows and the size and scale of projects increase, the Board has been ensuring Risk Management processes continue to evolve to support this changing landscape. A new Executive Risk Committee is being introduced to review and consider current and emerging risks across the business in a dedicated forum. This Committee will have a direct link into the Audit and Risk Committee.

The past year has also seen the addition of a new Internal Auditor to help grow and develop this area of the business. They will have oversight of the internal controls and be active in the Executive Risk Committee.

The key procedures, which have been established with a view to providing effective internal control, are as follows:

**Organisation**

The Company’s activities are operated through a Board of Directors with clearly defined reporting lines and delegation of authority. The Directors meet regularly to consider a schedule of matters required to be brought to them for decision making. A standing committee with delegated authority meets weekly for the purpose of ensuring that full and effective control is maintained over appropriate financial, regulatory and operational issues.

**Budgetary Control**

Each year the Directors approve an annual plan produced from a comprehensive budgeting process. Actual results are reported against the approved plan on a monthly basis to provide a timely and regular monitoring of performance.

**Investment Appraisal**

The Company has a clearly defined framework for assessing capital expenditure needs and options, while post project appraisal looks at relevant improvement in the internal control procedures. Board approval is required for any project exceeding a quantified expenditure level and those authorisation levels are reviewed annually by the Company.

**Business, Operational and Compliance Risks**

The Company assesses the risks facing its business on an ongoing basis and has identified them under these main headings:

• Financial	• Regulation	• IT and Cyber
• Customers	• Assets	• along with a standalone Havant Thicket Reservoir
• Networks	• People and Culture	
• Water Resource	• Water Quality	

Health and Safety and Environmental feed into each of these. They are subject to regular reporting to the Executive Risk Committee. The Board reviews the controls established to mitigate these risks and its insurance requirement on an annual basis. The Directors also receive reports from independent regulatory bodies, which comment on the performance of the core water business. Any issues raised in these reports are identified and dealt with in an appropriate manner.

The Audit and Risk Committee continue to review the key risks in the business, and their mitigations and consider increasing or emerging risks at each meeting. They also understand and continuously review the risk management strategy in the Company.

# BOARD OF DIRECTORS

The Board has considered the Ofwat requirements in relation to leadership, transparency and governance and has, for ease of reference, summarised below how the key provisions have been met.

Purpose, values and culture	
The Board of the Appointee establishes the company’s purpose, strategy and values, and is satisfied that these and its culture reflect the needs of all those it serves.	
PROVISIONS	
The Board develops and promotes the company’s purpose in consultation with a wide range of stakeholders and reflecting its role as a provider of an essential public service.	During the PR24 process, we undertook work to update the Company Purpose. This is set out in more detail on page 16. This year we have also created a new Stakeholder Management Policy and reinvigorated our Customer Scrutiny Panel, increasing membership and the range of input we are receiving. We continue to engage with a wide range of stakeholders through our main advisory group and sub-groups for the Havant Thicket Reservoir project.
The Board makes sure that the company’s strategy, values and culture are consistent with its purpose.	The Company’s Purpose is developed from and underpinned by the Company’s “Vision” and “Values”. We explain more about our values under “Our Customers” and “Our People”. The Board continue to update this area in contemplation of the challenges of AMP8 and beyond.
The Board monitors and assesses values and culture to satisfy itself that behaviour throughout the business is aligned with the company’s purpose. Where it finds misalignment it takes corrective action.	The Board assesses behaviours throughout the business in a number of ways including reviewing the results of Company-wide staff surveys, pulse surveys and regular monthly management reporting. Where the Board finds misalignment this is addressed directly through the actions of the Executive Directors and senior leadership team and through direct alignment to the company staff assessment and appraisal process. During 2023 we started to introduce a new People Strategy which will develop an HR strategy to support the alignment of values and culture and support further business change needed to deliver the long term strategy.
Companies’ annual reporting explains the Board’s activities and any corrective action taken. It also includes an annual statement from the Board focusing on how the company has set its aspirations and performed for all those it serves.	This is communicated throughout the Annual Report and Accounts and in particular under, “Our Company Purpose”, “Our Strategy” and “How we measure success”. We also consider key elements further within this Corporate Governance report and in the Directors Statement on s172 of the Companies Act.

Standalone regulated company	
The Appointee has an effective Board with full responsibility for all aspects of the Appointee’s business for the long term.	
PROVISIONS	
The regulated company sets out any matters that are reserved for shareholders or parent companies (where applicable); and explains how these are consistent with the Board of the regulated company having full responsibility for all aspects of the regulated company’s business, including the freedom to set, and accountability for, all aspects of the regulated company’s strategy.	This is set out in the Corporate Governance section under “Board of Directors”. No matters are reserved for shareholders and the Board has a majority of independent Non-Executive Directors. Accordingly the Board has full responsibility for all aspects of the regulated business’ strategy.
Board committees, including but not limited to audit, remuneration and nomination committees, report into the Board of the regulated company, with final decisions made at the level of the regulated company.	The Board is made up of a majority of independent non-executive Directors. This is set out in the Corporate Governance section under “Board of Directors”.
The Board of the regulated company is fully focused on the activities of the regulated company; takes action to identify and manage conflicts of interest, including those resulting from significant shareholdings; and ensures that the influence of third parties does not compromise or override independent judgement.	The Board has a conflict of interest policy which defines conflicts of interest, sets out the requirement to declare such conflicts and agrees how any conflicts arising would be dealt with. This includes the position that “interested” Board members may not vote on matters affecting their own interests. This is set out in the "Board of Directors" section.

Board leadership and transparency	
The Board of the Appointee’s leadership and approach to transparency and governance engenders trust in the Appointee and ensures accountability for their actions.	
PROVISIONS	
An explanation of group structure;	The Group structure is set out on page 105 of the Corporate Governance report.
An explanation of dividend policies and dividends paid, and how these take account of delivery for customers and other obligations (including to employees);	The dividend policy is explained on page 88 of the strategic report.
An explanation of the principal risks to the future success of the business, and how these risks have been considered and addressed;	The Principle risks and uncertainties faced by the business are covered both under “the issues that affect us” and “Principal risks and uncertainties”.
The annual report includes details of Board and committee membership, number of times met, attendance at each meeting and where relevant, the outcome of votes cast;	This is set out in the table of meetings on page 108.
An explanation of the company’s executive pay policy and how the criteria for awarding short and long term performance related elements are substantially linked to stretching delivery for customers and are rigorously applied. Where Directors’ responsibilities are substantially focused on the regulated company and they receive remuneration for these responsibilities from elsewhere in the group, policies relating to this pay are fully disclosed at the regulated company level.	This is reflected under “Remuneration Committee” on pages 118 to 131, including the linkage of remuneration to stretching delivery targets.

Board structure and effectiveness	
The Board of the Appointee and their committees are competent, well run, and have sufficient independent membership, ensuring they can make high quality decisions that address diverse customer and stakeholder needs.	
PROVISIONS	
Boards and Board committees have the appropriate balance of skills, experience, independence and knowledge of the company. Boards identify what customer and stakeholder expertise is needed in the Boardroom and how this need is addressed.	This is set out in the Corporate Governance section including how we recruit NEDs to ensure the right balance of skills on page 110. The Board have updated their assessment of the composition of the Board. In 2024 the Board updated their skills register to highlight any gaps in their knowledge, and assessed the composition of the Board during their Board performance review.
Independent non-executive Directors are the largest single group on the Board.	This is set out in the Corporate Governance section under “Nomination Committee” on page 117.
The Chair is independent of management and investors on appointment and demonstrates objective judgement throughout their tenure. There is an explicit division of responsibilities between running the Board and executive responsibility for running the business.	This is set out in the Corporate Governance section under “Board of Directors” on page 109.
There is an annual evaluation of the performance of the Board. This considers the balance of skills, experience, independence and knowledge, its diversity, how stakeholder needs are addressed and how the overarching objectives are met. The approach is reported in the annual report and any weaknesses are acted on and explained.	The Board completes an annual performance evaluation and has set this out under “Board of Directors” on page 110. The Board has also updated its skills matrix and has been mindful of the appropriate balance of skills and experience in making new appointments. The actions arising from the latest Board Evaluation are detailed throughout this Governance section.
There is a formal, rigorous and transparent procedure for new appointments which is led by the nomination committee and supports the overarching objective.	This is set out in the section covering the “Nomination Committee” on page 117.
To ensure there is a clear understanding of the responsibilities attached to being a non-executive Director in this sector, companies arrange for the proposed, final candidate for new non-executive appointments to the regulated company Board to meet Ofwat ahead of a formal appointment being made.	This is set out in the section covering the “Nomination Committee” on page 117. All new non-executive appointments undertake a meeting with Ofwat prior to their appointment.
There is a majority of independent members on the audit, nomination and remuneration committees and the audit and remuneration committees are independently led.	This is set out under Board Composition on pages 106 and 107 and in the sections covering the Audit, Nomination and Remuneration Committees.  The Audit and Risk Committee and the Remuneration Committee are solely made up of independent non-executive directors. A majority of the membership of the Nomination Committee is made up of the same independent directors.



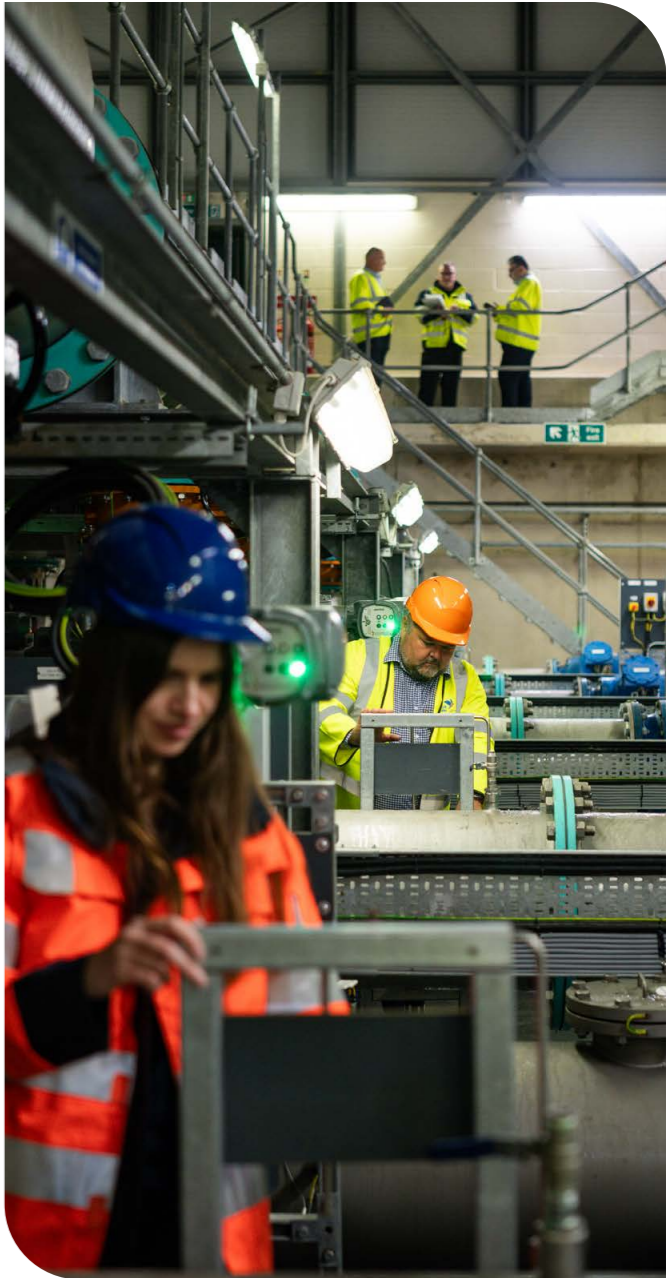
# DIRECTORS STATEMENT ON STATUTORY DUTIES

The Directors of the Company have a duty to promote the success of the Company for the benefit of its members as a whole, as set out in Section 172(1) of the Companies Act 2006. In doing so, the Directors must have regard to the needs of, and impact on, our stakeholders and other matters described in this section.

The Board of Directors consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, in the decisions taken during the year ended 31 March 2025. In doing so the Directors have regard to the range of stakeholders and matters set out in s172(1) (a-f) of the Act.

We have set out more detail, throughout our Strategic Report, and have provided further references below;

- a) The business is one with particularly long term horizons Accordingly all business decisions made by the Board are made with regard to the longer term implications. This is evident in the long-term business planning cycle and runs through our Annual Report, particularly our “Purpose, Vision and Values”, “Our Business Plan for 2025-30” and “Principal Risk and Uncertainties”. This is further underpinned by the matters set out in the “ Governance” section.
- b) The interests of the Company’s employees are explained in “Our people and communities” and in particular how we promote a ‘values based’ culture, assess employee satisfaction and ensure Health and Safety.
- c) The need to foster the company’s business relationships with suppliers, customers and others is set out in the Sustainability section particularly within the section covering stakeholders. We have also explained our “Payment Practices and Performance”.
- d) The impact of the Company’s operations on the community and the environment are primarily covered in the Sustainability section of the report.
- e) The desirability of the Company maintaining a reputation for high standards of business conduct is covered in our Governance section.
- f) The need to act fairly between members of the company is covered under the “Ownership Structure” and as part of the wider Governance section.



# AUDIT AND RISK COMMITTEE



**Dr. Lara Stoimenova**  
Chair of Audit and Risk Committee

June 2025

**Audit and Risk Committee Members**  
Dr. Lara Stoimenova (Chair)  
Sharon Darcy

**UK Corporate Governance Code Principles**

The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.

The Board should present a fair, balanced and understandable assessment of the company's position and prospects.

The Board should establish and maintain an effective risk management and internal control framework and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives.

**Role of Committee**

The Committee has a dual purpose:

- To ensure the preservation of good financial practices throughout the Company. This includes ensuring that controls are in place to ensure the integrity of those practices and to monitor them, reviewing the interim and annual financial statements and providing, by way of timely meetings, a line of communication between the Board and the external auditors.

- To ensure a strong risk management framework and culture in the Company. During these meetings with the external Auditors the Audit and Risk Committee have asked to be made aware of significant issues identified by the Auditors in the course of their work on the audit of the financial statements.

The Committee has formal Terms of Reference, which deal with its authorities and duties. It has primary responsibility for making a recommendation on the appointment, reappointment and removal of external auditors. It also reviews annually arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

Over the past three years the Board agreed that the Committee should take an increased focus on Risk Management within the business.

**ARC - Activities During the Year:**

In addition to fulfilling its ongoing duties, the Committee has an extensive agenda of items addressing issues relating to the day-to-day activities of the business with which it deals in conjunction with senior management, the Auditor and the Company finance team. There were four meetings of the Committee during the year. Items on the agenda included:

- Reviewing the Year End and Interim Results, going concern statement and accompanying press release
- Reviewing the critical accounting judgements and key sources of estimation uncertainty in the Financial Statements
- Involvement in the decision around the setting up of an Internal Audit function and then supporting the appointment of the new Internal Audit Manager who will undertake a full review of Internal Controls
- Approving a new Risk Management Framework and setting up a new Executive Risk Committee. The Executive Risk Committee will feed directly into the Audit and Risk Committee
- Input into the full review of Company governance and financial policies. Also, an initial review into requirements to comply with the new Economic Crime and Corporate Transparency Act

- A review of the GDPR processes and data protection activities during the year
- Reviewing the Audit and Assurance work carried out by the Company's external operational and financial auditors
- Assessing the calculations of the Customer Tariffs and NAV Tariffs.

**External Audit and Non-Audit Services**

The Committee reviews the independence and objectivity of the external auditors. This includes reviewing the nature and extent of any non-audit services supplied by the external auditors to the Company, including a review of non audit services policy, seeking to balance objectivity and value for money. The non-audit services provided during the year were for other Assurance services relating to regulatory financial submissions, tax advisory and compliance work. These services would be those expected to be provided by the Company's external auditor, with the requisite independence safeguards in place.

A review was completed of the Auditors effectiveness and performance, and the output, quality and cost of the audit. The review of the Auditor's independence and objectivity was initially carried out as part of the Audit Tender in 2020 and is monitored throughout the year. The current Auditors have been in tenure for eight years.

**Whistleblowing**

The Board understands the importance of ensuring whistleblowing receives the prominence it deserves. The Policy was updated during the year and a new whistleblowing hotline option added, which the Board believes adds a new impartial channel for whistleblowers to report concerns confidentially if they should wish.

The option also remains for whistleblowers to go directly to the Chair of the Audit and Risk Committee should they wish.

There was one reported whistleblowing event during the year which was investigated and resolved.

**Annual Report and Accounts**

The Audit and Risk Committee considers the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

# NOMINATION COMMITTEE



**Christopher Deacon**  
Independent Chairman

**Nomination Committee Members**

Christopher Deacon (Chairman)  
Sharon Darcy  
Bob Taylor  
Christopher Loughlin  
Dr. Lara Stoimenova

**UK Corporate Governance Code Principles**

Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for Board and senior management. Both appointments and succession plans should be based on merit and objective criteria. They should promote diversity, inclusion and equal opportunity.

The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and the membership regularly refreshed.

Annual evaluation of the Board should consider its performance, composition, diversity and how effectively members work together to achieve objectives. Individual evaluations should demonstrate whether each director continues to contribute effectively.

**Role of Committee**

The Committee's primary function is to advise the Board in relation to the appointment of Executive and Non-Executive Directors. This includes the following:

- Identifying and nominating candidates to fill Board vacancies, as and when they arise, for approval by the Board.
- Before any appointment is made, evaluating the balance of skills, knowledge, experience and diversity on the Board and, in the light of this evaluation, preparing a description of the role and capabilities required for a particular appointment.
- Taking account of length of service of Board Members to ensure business continuity is maintained.
- Ensuring the Company policies on Equal Opportunities, including diversity and inclusion are adhered to across the business.

The Committee comprises all three Independent Non-Executive Directors, the CEO and the Investor Director.

**Activities During the Year**

The Board met once formally during the year, when it focused on succession planning.

The members reviewed the directors, senior management and other key individuals within the business with a view to developing capabilities and supporting a future potential pipeline. This enables an orderly succession process as well as overseeing the development of a diverse workforce.

In addition, a detailed Board Evaluation exercise was completed, including an anonymous questionnaire, dedicated group discussion and individual meetings to assess the performance of each director. The results are detailed on page 110, within the UK Corporate Governance Principles section.

**Board composition\***

**Executive**



33%

**Non-Executive**



50%

**Investor Appointed Non-Executive**



17%

**Male**



67%

**Female**



33%

**Age 40-49**



17%

**Age 50-59**



33%

**Age 60-69**



17%

**Age 70+**



33%

\*This reflects the Board composition at the date of signing of the Annual Report and Accounts.

# REMUNERATION COMMITTEE



**Sharon Darcy**  
Chair of Remuneration Committee  
June 2025

**Remuneration Committee Members**  
Sharon Darcy (Chair)  
Christopher Deacon  
Dr. Lara Stoimenova

**UK Corporate Governance Code Principles**

Remuneration policies and practices should be designed to support strategy and promote long term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.

A formal and transparent procedure for developing policy on executive remuneration and determining Director and senior management remuneration should be established. No Director should be involved in deciding their own remuneration outcome.

Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.

**Our Purpose**

Our approach to pay is to ensure the remuneration policy and practices of the Company reward fairly and responsibly. We make sure they have a clear link to corporate and individual performance which supports the successful delivery of the Company's long-term strategy aligned to our customers, communities and environmental performance commitments. Our Executive pay policy is designed to attract, retain, motivate and engage exceptional talent, while maintaining a clear link between pay and performance.

**The key responsibilities of the committee are to:**

- Establish a formal and transparent procedure for developing policy and practices in Executive remuneration and to design, determine and agree the framework for the remuneration of the Company's Executive Directors, including the total individual remuneration packages of the Executive Management and malus and clawback provisions.
- Ensure the remuneration policy attracts, retains and motivates Executive Management of the quality required for the long-term sustainable success of the company, aligned to our strategic objectives, purpose and values.
- Agree short-term and long-term incentive payments for the prior calendar year and review performance against service objectives linked to customers, communities, environment and performance in the round.

- Set short-term and long-term performance targets for the 2025 calendar year and ensure the targets are at stretching levels aligned to Ofwat guidance and industry-leading performance targets.
- Ensure performance targets work as a total package and take account of performance in the round for customers, communities and the environment.
- Review the workforce remuneration and related policies for the purpose of aligning incentives and rewards with culture and taking these into account when setting the remuneration policy for Executive Directors.
- Use discretion where appropriate to over-ride formulaic outcomes

**Chair's Introduction**

In a period of increased pressure on the industry, we recognise and understand the heightened scrutiny on executive pay. We have taken on board Ofwat's guidance that serious breaches of customer trust, particularly environmental, should be reflected in the pay of executives. We have also taken on board Ofwat's publication around protecting customer interests on performance-related executive pay; by clearly explaining why the targets chosen are stretching on a metric-by-metric basis and we have undertaken a review of the remuneration measures in the Water (Special Measures) Act 2025 and their potential impact on Executive performance-related pay.

The focus of the Committee in 2024-25 has been to:

- Ensure the reward and incentive opportunities for our Executive management are appropriate and proportionate considering the Company's operational, financial and regulatory performance.
- Review personal objectives for the Executive Directors.
- Review and approve proposed base pay increases for the Executive Directors and other members of the Executive management, taking into consideration the outcome of the pay negotiations across the business.
- Review current pay trends, labour market and inflation data ahead of negotiations with our Trade Unions around pay awards for all employees
- Review the feedback from the 'Your Voice' engagement survey and the proposed actions as a result
- Hold detailed discussions around alternative variable Executive incentive schemes for both short-term and long-term incentives
- Review the Gender Pay Gap report and proposed actions
- Hold a detailed discussion around variable pay outcomes for 2025, particularly considering communications from Ofwat on performance-related-pay, performance in the round and the Water (Special Measures) Act 2025
- Discuss, challenge, and agree the Executive Directors variable pay and benefits, ensuring their long-term incentives and bonuses were clearly linked to achievement of the targets set out in this report and the overall performance of the company. The achievement of these results against target are noted on pages 125 to 127.

The Remuneration Committee wants to ensure performance is linked to our performance commitments and the targets set are stretching in nature. This year we share additional details on how stretching our targets are which reflects our commitment to deliver on our purpose – Excellence in Water. Always.

We remain committed to being a real Living Wage employer and have increased our entry level salaries following the recent increase to national insurance contributions, ensuring our lower paid employees still benefit from the company's salary sacrifice benefit schemes. We have also introduced a new benefits platform, accessible for all employees, offering discounted vouchers, salary sacrifice offerings such as cycle to work, discounted gym memberships, access to financial and wellbeing support and an affordable healthcare cash plan.

In addition to the new benefits platform, we also offer a range of wellbeing incentives such as prostate cancer screening, medical health checks, counselling and an Employee Assistance Programme. We have also successfully carried out a 12-month mental health awareness training for our people leaders and have designed and implemented a new health and wellbeing strategy focusing on physical, mental, financial and nutritional needs for our people.

The Committee continues to focus on equity, diversity and inclusion, with the progress made against our action plan presented to the committee earlier in the year. We continue to review our gender pay gap – data for this can be seen in our 2023-24 report. During the year we've embarked on a transformative journey to foster a more inclusive workplace and we've delivered on many of the initiatives outlined in last year's report. More women work at Portsmouth Water now than in 2022-23, an increase of 15% in female employees compared to an increase of 8% in male employees and many of our latest recruits into senior positions since April 2024 have been women.

We are committed to providing a high level of transparency on performance-related executive pay. We have carefully considered how to share information via this report in demonstrating our approach to the successful delivery of the company's long-term strategy setting stretching targets linked to delivery for our customers, community and environment and taking overall performance into account, including a review of the remuneration measures within the Water (Special Measures) Act 2025.

**Sharon Darcy**  
Chair of the Remuneration Committee

27 June 2025

# REMUNERATION COMMITTEE

## Executive Remuneration Policy

The Company’s Executive Pay Policy is designed to attract and retain good quality senior executives. It provides for a remuneration package, the variable element of which reflects the Company’s performance against stretching customer, community and environmental objectives. The Committee considers the performance element of the remuneration package is appropriate given the main activities of the Company.

Full details of each component of the directors’ remuneration applicable for the 12 months ended 31 March 2025 are shown in the table below.

While this remuneration report focuses on Board and executive directors’ remuneration for the year ended 31 March 2025, the Committee acknowledges Ofwat’s expectations published in its final guidance on performance-related executive pay (PRP). This is in relation to companies being transparent about how executives are remunerated and especially how any performance-related element is linked to customer interests and environmental performance and that the measures are stretching in nature.

## Compliance with the Water (Special Measures) Act 2025 and Assessment Against PRP Standards

The Committee also acknowledges the introduction of the Water (Special Measures) Act 2025 (the “Act”); which strengthens the powers of regulators, with the aim of improving performance and restoring trust in the water industry. The Act places stricter conditions on executive remuneration and governance; requiring companies to prohibit senior roles receiving performance-related pay when a company has failed to meet specified standards relating to the environment, consumer matters and their company’s financial resilience and criminal liability.

In accordance with the Act, the Remuneration Committee has undertaken an assessment of executive remuneration, with regard to the “specified standards” set out for awarding performance-related pay (PRP). The Act defines performance-related pay broadly as any payment, consideration or other benefit (including pension benefit); the giving of which results from the meeting of any targets or performance standards on the part of the relevant undertaker or the person to whom such payment, consideration or benefit is given. The rule applies to all aspects of PRP, including both long-term and annual PRP schemes.

The Committee recognises the intent of the Act is to ensure performance-based pay is transparently justified, proportionate and demonstrably linked to the successful delivery of outcomes in the public interest. As required, our review covers the performance of executive directors, specifically the Chief Executive Officer and Chief Financial Officer, for the financial year ended 31 March 2025.

In undertaking this review, the Committee gave particular attention to the below “specified standards”:

- **Consumer matters:** that the Company successfully fulfilled its statutory duty to develop and maintain efficient and economical water supply systems (including mains and other pipelines) for consumers within its area of supply.
- **The environment:** that the Company did not receive a 1-star (“poor performing”) rating in the Environmental Performance Assessment (EPA) or cause a category 1 or 2 incident during the financial year.
- **Financial resilience:** that the Company’s credit rating has not fallen below a BBB-Baa3 rating with negative outlook; and that the Company’s credit rating continues to meet Ofwat’s ‘cash lock-up’ licence condition.

- **Criminal liability:** that the Company has not been convicted of a criminal offence (i.e. related to the environment, drinking water health or health and safety).

The Committee believes the Company has acted in full compliance with the “specified standards” set out in the Water (Special Measures) Act 2025 and can confirm that there have been no circumstances notified to the Company which should cause the Remuneration Committee, or Ofwat, to consider prohibiting, reducing or removing any performance-related pay from executive directors for the 2024-25 period. The Remuneration Committee has specifically reviewed the Executive Pay Policy against this latest set of Ofwat guidance.

The Committee noted the current guidance on best practice requiring effective clawback provisions needing to be in place for PRP years from 1 April 2026 to retrieve PRP paid, or cancel deferred PRP due to be paid, when the company has triggered the rule.

While the committee ensured effective malus and clawback provisions were included within the Executive Directors contracts, as noted in the 2023-24 reporting period, which ensures there is sufficient flexibility to adjust bonus and LTIP payments through malus and clawback provisions, the malus and clawback mechanism applied for two years from bonus and LTIP payments. To meet the requirements set out in Ofwat’s latest guidance, the clawback provisions will be amended to apply for a minimum period of three years, effective from April 2026 and malus provisions will also be amended to ensure not only can the Committee withhold any deferred PRP, but provisions clearly state that the “specified standards” detailed in the Water (Special Measures) Act are grounds for clawback.

In addition to the Water (Special Measures) Act 2025, the Committee also reviewed and discussed Ofwat’s guidance around matters such as alignment to customer delivery, stretching targets, overall performance, compliance matters and performance in the round. The Remuneration Committee retains the power to reduce all or part of PRP payments resulting from exceptional circumstances. In terms of the process for determining executive annual bonus and LTIP payments, the Remuneration Committee reviews progress against objectives in each of its meetings during the year, based on the most recent performance data against set measurement criteria. This includes both actual financial and non-financial performance data, together with forecast data for the remainder of the year or term of the relevant LTIP.

Final decisions on both annual bonus and LTIP payments are made following receipt of externally audited performance results for the year. Measures are in place to avoid or deal with any potential conflicts of interest that should arise during this process.

Through our Remuneration Committee, we are committed to being fully transparent and continuously reviewing our Executive Pay Policy and, where policies develop and change, we will explain the reasons in our annual report and signal changes to stakeholders. For clarity in this report, each of the following sections details elements of executive directors’ remuneration for the 12 months ended 31 March 2025.

## Remuneration policy report

### Purpose of the policy

The Company’s remuneration policy establishes the principles, framework and guidelines governing the remuneration of the Chief Executive Officer and Chief Financial Officer, referred to collectively as ‘Executives’ of Portsmouth Water Limited. It is implemented with fairness transparency and accountability in mind.

### Objectives of the policy

The policy’s objectives are to:

- Attract, retain and motivate high calibre Executive Directors
- Align the objectives of the Executive Directors with those of the company
- Ensure a fair and transparent process in determining remuneration packages
- Comply with all relevant legal and regulatory requirements, including those principles set out in the Ofwat Board Leadership, Transparency and Governance Principles, as well as those in the UK Corporate Governance Code. It will also comply with the Water (Special Measures) Act 2025 and the committee’s review in that legislation is detailed elsewhere in this report.

### Terms of the policy

- The performance targets are continually assessed to ensure they remain stretching throughout each five-year business planning period.
- Consideration is given to pay and employment conditions across the business when setting Executive Director remuneration.
- Malus and Clawback terms are included in Executive Directors’ contracts and the Committee reserves the right to invoke those provisions if circumstances arise that impact on those Directors’ performance or contribution to the company, or if they have engaged in conduct which causes harm to the company.
- The Committee may exercise discretion in assessing the variable pay elements of the Executive Remuneration package, both upwards and downwards. This will include taking into account significant health and safety incidents or serious events that have an impact on our customers, communities or the environment. The use of any discretion will be detailed in the annual report.
- The short and long-term components of Executive pay shall be weighted so at least 60% of performance-related pay is directly linked to customer, community or environment targets.
- Final Decisions on the Executive Director annual bonus and LTIP payments are made at the June Committee meeting, following receipt of the externally audited performance results for the year.
- Neither the Chief Executive Officer or Chief Financial Officer are present during the discussions on their potential annual bonus or LTIP awards.

Remuneration Policy Table

Element, purpose and link to strategy	Operation, performance measures, deferral	Maximum opportunity	Performance metric
<b>Base Salary (Fixed Pay)</b> To pay a fair salary, commensurate with the individual's role, responsibilities and experience, and having regard to the market rates for similar roles in the water/utility sector and other comparable companies.	Reviewed annually, taking account of market salary levels, Company performance, individual performance, changes in responsibility and levels of increase for the broader employee population.  The remuneration committee considers the impact of any base salary increase on the total remuneration package.	There is no prescribed maximum salary or maximum rate of increase. The remuneration committee is guided by the general increase for the broader employee population but on occasions may need to recognise, for example, development in role, change in responsibility, specific retention issues, market practice or changes in regulatory requirements.  Details of the outcome of the most recent salary review are provided in the annual report on remuneration.	None
<b>Benefits (Fixed Pay)</b> To provide cost-effective taxable benefits and to support the wellbeing of employees.	The remuneration committee considers the impact of any base salary increase on the total remuneration package.  The Company currently provides a range of taxable benefits such as medical insurance, car allowance, life insurance and paid holiday.	Taxable benefits are not subject to a specific cap, but represent only a small element of total remuneration. The costs associated with benefits provision are closely monitored and controlled.	None
<b>Pension (Fixed Pay)</b> To provide market competitive pension arrangements, to assist with recruitment and retention.	Employer contributions made in respect of Executive Directors are paid to an appropriate defined contribution pension scheme.	15% of salary into a defined contributions scheme, or equivalent amount paid as salary.	None
<b>Annual bonus (Variable Pay)</b> To reward performance by linking to achievement of key performance objectives aligned to the strategy of the Company. A significant proportion to be linked to stretching performance objectives.	Bonus awards to Executive Directors are made each year and are approved by the remuneration committee.  A significant portion (80%) of executive bonus awards are linked to stretching performance levels for the relevant financial year together with personal performance objectives.  Details of the performance levels for the most recent financial year and performance against them are provided below.	The maximum bonus potential is 65% (CEO) / 50% (CFO) of base salary of which two thirds is payable during the first half of the following financial year and one third is payable at the end of the AMP period (see Long term incentive scheme (Variable Pay) (1) below).	The incentive scheme is split between; Stretching delivery targets (operational and financial) 80% and personal performance objectives 20%, many of which relate to customers, communities and the environment.
<b>Long term deferred bonus scheme (Variable Pay) (1) - “LTIP1”</b> To incentivise Executive Directors to deliver sustained long term performance.	Long-term deferred bonus awards to Executive Directors calculated on an annual basis and paid out at the end of the Asset Management Plan (“AMP”) (the five year period ending 31 March 2025), subject to the achievement of performance conditions.	20% (CEO) / 15% (CFO) of salary per year paid at the end of year five.	The incentive targets are as set out for the Annual Bonus award. A discretionary 25% uplift is determined by successful outcome at PR24.
<b>Long term incentive scheme (Variable Pay) (2) - “LTIP2”</b> To incentivise Executive Directors to deliver sustained long term performance	Long term incentive award to Executive Directors on the basis of business performance over the AMP period. Annual assessment of likely performance conducted, with a provision for one fifth of the likely bonus at the end of the period.	30% of out-performance in excess of £8m to the Totex set by Ofwat for the AMP period, together with 30% of non regulated EBITDA in excess of £4.75m target for the AMP period. A further 25% (to a cap of £0.625m) is payable at the discretion of the ultimate shareholders. These amounts are payable 50% and 25% to the CEO and the CFO respectively.	Totex and EBITDA from the non regulated business.
<b>Long term incentive scheme (Variable Pay) (3)</b> To incentivise the CEO to deliver the critical HTWSR programme.	Long-term incentive award to CEO on the basis of on time delivery (wet commissioning ODI) and cost efficiency.	Up to £500,000 constrained by level of Totex efficiency outturn.	Wet commissioning ODI and HTWSR Totex out-performance.
<b>Employment contracts, and loss of office</b> To facilitate recruitment and retention, and support pay for performance, by providing fair but not excessive contract features.	Notice periods from the Company are limited to 12 months.	N/A	N/A
<b>New Executive Director appointments</b> To facilitate recruitment of necessary talent.	Remuneration for new appointments will be set in accordance with the policy detailed in this table.	N/A	N/A

REMUNERATION COMMITTEE

During 2020-25 we reviewed our policy on executive pay and performance-related pay to better align our scheme with Ofwat guidance. This included linking a substantial proportion (60%) of variable pay to stretching measures aligned to performance for customers, communities and the environment with a short-term (annual) and long-term (5-year) element. Targets were selected to provide a balanced package of measures representing the key areas of importance for delivering excellence for customers, stakeholders and shareholders and performance was reviewed against each target and in the round.

The bonus structure applies to all directors and company employees. The bonus amounts are non-pensionable and require recipients to remain in role until date of the award and its payment. For ‘annual variable’ elements, the payments are in the July following the end of each financial year.

For ‘long-term variable’ elements, the payments are in the July following the end of each five-year regulatory period. Therefore the cumulative ‘long-term variable’ elements of the bonus relating to the 2020-2025 regulatory period will be payable in July 2025.

The variable elements by director, senior management and staff are based on the following percentages of base pay:

	Total Maximum Variable Element	Annual Variable Element	Long Term Variable Element
<b>Total maximum variable bonus allowance (%)</b>			
Chief Executive Officer	65%	45%	20%
Chief Financial Officer	50%	35%	15%
Commercial Director 1	25%	20%	5%
Commercial Director 2	30%	-	-
Executive Scheme	25%	20%	5%
Senior Leadership Team	15%	15%	-
Graded Staff	6%	6%	-

# REMUNERATION COMMITTEE

The table below provides further information about how the bonus components are determined. Once the bonus pot for any year has been determined, the maximum achievable bonus will be split by the annual variable element and the long-term variable element as detailed above. The annual element will be paid during the first half of the following financial year and the long-term element will be deferred and included in the long-term incentive which will be paid at the end of the regulatory period. The long-term element of the scheme is designed to encourage retention of key employees and the delivery of long-term objectives.

Customers, Communities & the Environment		60%
Service Objective is made up of 13 Current ODIs :		
Compliance Risk Index	Unplanned Outage	45%
Interruptions	C-MeX	
Leakage	D-MeX	
PCC	Priority Services	
Mains Repairs	Severe Drought	
Carbon Net Zero	Health and Safety	
Community Partnership Initiative	(reportable accidents)	
TOTEX		15%
Financial		20%
EBITDA		15%
Cash		5%
Personal including customer supporting		20%
Individual Objectives (including community, environment and customer element objectives)		20%

## Performance and Outcomes

The text on the following pages explains how these targets are stretching for our business.

### 2024-25 Targets

Service metric targets	Ofwat AMP7 Target	Company AMP7 Target	2024/25 spot target
Compliance Risk Index	<2.0	<1.0 in year 5	<2.0
Interruptions	6 mins 30 to 5 mins over AMP7	3 mins 32 secs per property in year 5	5 mins 00 secs per property
Leakage	15.2% reduction over AMP7	15.2% reduction from base year	15.2% reduction from 2019/2020 base year
PCC	6.3% reduction over AMP7	6.3% reduction from 2019/2020 base year	6.3% reduction from 2019/2020 base year
Mains repairs	73.8 repairs reducing to 68.6 over AMP7	<60.0 repairs per 1,000km	68.6 repairs per 1,000km
Unplanned Outage	2.34% pa	2.34% pa	2.34% pa
C-MeX	No explicit target	Reward equating to 4% pa	Upper Quartile
D-MeX	No explicit target	Reward equating to 2% pa	Upper Quartile
Priority Services	2 to 9% over AMP7	>9% in year 5	9.00%
Severe Drought	84% reducing to 32% over AMP7	32% in year 5	32%

In addition to the above, we also have targets relating to carbon, health and safety and community partnerships which are not ODI related.

Financial objectives	Target
Financial: Measured vs budget targets	
EBITDA	£15.5m
Cash from Operations HY1	£6.2m
Cash from Operations HY2	£4.7m

The performance-related pay arrangements detailed above have been funded through TOTEX in line with the regulatory framework and compliant with Ofwat’s guidance on remuneration.

# REMUNERATION COMMITTEE

## Our stretching targets

### Compliance Risk Index – Target: <2.0 Actual: 0.45

The water quality CRI measure is heavily dependent on the location of any failure and therefore the number of customers affected. We have a highly interconnected network, which enables customers to be supplied using water from different sources, thus minimising the risk of interruption of supply. The risk with an interconnected water supply is that if there is a water quality failure, a higher proportion of customers might be affected.

The variability of previous year results highlights the impact of our interconnected water supply on our CRI score and therefore achieving a target of <2.0 units is stretching for us and linked to an ODI.

### Interruptions – Target: <5 mins Actual: 2 mins 1 sec

Our previous investment in renewing mains and network resilience has helped us reach industry leading performance, having the lowest average interruption per customer in the water sector. However, we do still have some areas of vulnerability where a burst main or water quality incident could result in a large area going without water for more than three hours.

Our target of 5 minutes aligns with our Performance Commitment and is significantly less than the industry average of 14 minutes in 2023-24, where only four water companies were lower than 5 minutes. We outperformed on our ODI for this target.

### Leakage – Target: <24.1 MI/d Actual: 29.5 MI/d

Without constant action to detect and repair leaks, the level of leakage will naturally rise. Climate change and the increase in severe weather conditions have impacted the sector's leakage performance at increasing intervals over the course of the past 10 years, making it more and more difficult to maintain leakage at current levels through find and fix methods (Active Leakage Control – ALC).

Climate change is increasing Soil Moisture Deficit (SMD), which in turn leads to higher burst and leakage rates in areas with clay-based soil, which includes our area. Climate change is also resulting in more rapid freeze thaw events which also put significant stress on our network. Water companies are also finding it more difficult and costly to find leaks in certain circumstances.

While mains replacement has helped to reduce leakage in general, the use of plastic pipes provides an additional challenge to leak detection. Leaks are predominantly found through acoustic methods and sound travels significantly further on old metallic pipes than on newer plastic ones. This means that finding leaks on plastic pipes is more difficult and costly. Fixing leaks has also become more costly, as councils utilise changes in regulations to charge water companies for conducting leak repairs in the road. These additional costs put upward pressure on leak repair budgets.

Our target aligns with our Performance Commitment to reduce leakage by 15.2% over the 2020-25 period to 24.1 MI/d. At the end of 2023-24 only three companies had achieved this level of leakage reduction hence this target is considered stretching. We received a penalty for our performance against our ODI.

### Per Capita Consumption (PCC) – Target:<139.9 l/h/d Actual: 155.6 l/h/d

Despite a comprehensive programme of interventions, like all UK water companies, we have struggled to achieve our household demand reduction targets in recent years. Our performance has been impacted by the effect the global Covid-19 pandemic had on the water use behaviours of our customers. This has included increased working from home, continuing into 2024-25, which has moved some water use from offices to homes. The UK has also experienced multiple peak demand weather events during the past few years, with extreme highs of temperature and regional drought conditions.

Our target aligns with our Performance Commitment to reduce household usage by 6.3% by 2024-25. At the end of 2023-24, no company had achieved a reduction of this magnitude, with the greatest reduction in consumption actually achieved being 3.4%. We received a penalty for our performance against our ODI.

### Mains Repairs – Target: <68.6 Actual: 66.8

Mains repairs include both proactive and reactive repairs to bursts on our network. Proactive repairs are typically found through leakage detection and therefore as we reduce leakage further through finding more leaks, we can expect to repair more bursts than ever before.

Our high number of proactive mains repairs in 2018-19 and 2022-23, years where we had our highest leakage resource, are examples of the increase which can occur when we increase our leakage detection and repair resources. In 2024-25 we also increased leakage detection and repair resource and therefore would expect an increase in our mains repair figures.

Our mains repair target aligns with our Performance Commitment and is a reduction to our target in 2023-24. At 68.6 repairs per 1,000km, it is also lower than actual performance from all other companies except for one.

### Unplanned Outage – Target: <2.34% Actual: 0.83%

Unplanned outage is measured as the unplanned loss of peak week production capacity and is reported as a percentage of overall company peak week production capacity. This Performance Commitment helps to ensure the overall asset health of our non-infrastructure water assets is maintained and improved for the benefit of current and future generations.

Most water companies were set a target of 2.34% throughout the 2020-25 period. This was lower than our average performance between 2015 and 2020. We have worked hard to significantly change processes in recent years to achieve the stretching target set.

### C-MeX – Target: Upper Quartile Actual: 4th (Upper Quartile)

We pride ourselves on our excellent customer service and perform well against a range of customer metrics, including C-MeX, complaints and complaints handling.

To prepare us for the challenges ahead, including the need to help customers reduce their water usage, we introduced a new billing platform in 2024-25. The introduction of our new billing platform will connect our customers with their water use through data visualisation and messaging and open access to their personal use, bills and water saving through a range of engagement.

The introduction of new processes can often come with teething issues; however, we challenged ourselves to maintain our upper quartile performance in C-MeX while introducing the new system to ensure customers would not experience a deterioration in service. We received a reward for our performance against our ODI.

### D-MeX – Target: Upper Quartile Actual: 1st (Upper Quartile)

We are pleased to have been a top performer in D-MeX in recent years but acknowledge that developer expectation continues to rise. Through a dedicated developer engagement session, developers recommended a range of improvements to enhance our service, which other companies had already introduced. Therefore there was work to be done in 2024-25 to maintain our upper quartile ranking. We received a reward for our performance against our ODI.

### Priority Services – Target: 9% Actual: 15.5%

Customers on our confidential Priority Services Register receive extra, tailored support when communicating with us or during any service disruption to the water supply. Being on the register means our employees know about any special circumstances or needs customers have. We are proud to have significantly outperformed our Performance Commitment and now have more than 15% of customers on the register, compared to a target of 9%.

so we can accurately tailor support, we also have a tough challenge to contact 45% of customers on the register at least once every two years. This is made more stretching with the greater number of customers on the register.

### Severe Drought – Target: <32% Actual: 88%

This metric is to measure whether we would need to impose water use restrictions in a severe drought. It incentivises us to make any improvements we need to our water treatment and network processes and reduce water use by our customers and losses through leakage. In the leakage and PCC sections we outline the stretching targets which are also directly related to achieving this target.

### Carbon Net Zero – Target: <-5% Actual: -19%

Most of the operational greenhouse gas emissions we emit are related to energy use. Energy is required to abstract water from our sources, treat it to a high quality and distribute it to customers.

The amount of energy we use and our ability to be as energy efficient as possible is related to demand for water. When we experience higher demand for water during peak periods, such as summer heatwaves, energy use goes up significantly and optimising energy consumption becomes difficult. In recent years we have experienced record high customer demand related to longer periods of hot, dry weather.

Climate change and other factors are also resulting in worsening quality of the water we abstract. This results in increased energy being used in our treatment processes. To achieve a reduction in emissions while overall demand for energy has increased is a stretching target.

### Health & Safety – Target: 0 Actual: 0

The Company remains committed to the highest standards of health, safety and wellbeing for all employees, contractors and the public. In the reporting period, there were zero RIDDOR-reportable incidents.

maintain our long-term aspiration of zero reportable accidents. While ambitious, this stretching target underpins our belief that all injuries and incidents are preventable with the right culture, leadership, and controls. By aiming for zero, we promote a mindset of constant vigilance and accountability across all areas of our operations.

As a testament to our proactive safety management, we were proud to receive the Order of Distinction Award from the Royal Society for the Prevention of Accidents (RoSPA), celebrating 20 years of achieving this prestigious Gold Award for our outstanding performance in occupational health and safety, which reflects the commitment shown by our teams throughout the business and the need to maintain an ongoing focus on this, including at Havant Thicket Reservoir, which represents a significant new stretch for us in this area.

### Community Partnership Initiative - Target: 12 Actual: 14

This metric reflects our collaboration with local businesses and communities. We're committed to lasting, positive impact through partnerships and outreach programmes. In 2024-25, we exceeded our STEM and community engagement targets by participating in more than 12 events promoting environmental awareness and water conservation.

We continue to support local and regional charities through corporate giving, matched fundraising and staff-led efforts. Our charity partners focus on themes that align with our values: access to clean water, poverty alleviation, youth development, and environmental sustainability.

As a proud and active patron of Shaping Portsmouth, we support inclusive, impact-driven programmes such as Inspire Portsmouth (careers education), Pompey Access (inclusion) and many other local enterprise initiatives.

# REMUNERATION COMMITTEE

### Look Ahead

In preparation for the 2025-30 regulatory period, the Remuneration Committee is currently undertaking a comprehensive review of Portsmouth Water’s incentive schemes. This review, conducted with assistance from Deloitte <sup>(1)</sup>, has focused on ensuring incentives are closely aligned to our long-term strategic goals, our investment priorities and the interests of our key stakeholders, including delivery for our customers, communities and the environment. At this stage, the review is still ongoing as the Committee is keen to ensure any approach is aligned with recently published and evolving Ofwat guidance in relation to operation of the Water (Special Measures) Act. Further details on the outcomes of the review and our approach to remuneration for 2025-26 will be published in next year’s Remuneration Report.

### Statement of consideration of Employment Conditions Elsewhere in the Company

The remuneration approach for the Executive Directors is broadly consistent with that for employees across the Company as a whole.

### Annual Report on Remuneration

Directors Remuneration as a Single Figure (Audited Information)

Remuneration is analysed by Director below:

	Salary/ Fee £000	Benefits £000	Annual Bonus £000	Deferred bonus/ LTIP1* £000	LTIP 2 £000	Sub-total £000	Pension £000	Total 2025 £000	Total 2024 £000	Movement £000
<b>Executive:</b>										
C.R.Taylor	222	33	68	126	291	740	14	754	336	418
J.C.Milner	165	10	40	36	145	396	36	432	215	217
<b>Non-Executive:</b>										
Christopher Deacon	60					60		60	58	2
Lara Stoimenova	33					33		33	32	1
Sharon Darcy	33					33		33	15	18
	513	43	108	162	436	1262	50	1312	656	656

\* LTIP 1 deferred values are payable

### Performance related award schemes (Annual bonus (Variable pay) and deferred bonus LTIP1)

As explained above the remuneration package of the Executive Directors, as reported in the notes to the financial statements, includes a performance-related element. The performance-related element is based upon the achievement of agreed stretching performance objectives linked to service objectives, financial objectives and personal objectives. This includes a short-term annual element paid in the first half of the next financial year and a long-term element deferred until the end of the regulatory period, payable July 2025.

<sup>(1)</sup>The Committee has engaged Deloitte to assist with a review of the Company’s incentive schemes and provide independent external remuneration advice. Deloitte are members of the Remuneration Consultants Group Code of Conduct and adhere to this Code in their dealing with the Committee.

Year on year movements for the Executives are shown below:

### Chief Executive Officer (C.R.Taylor)

	Taxable Benefits				Bonus Schemes					
Year	Salary/ Fee £000	Car £000	Medical Insurance £000	Other £000	Annual Bonus £000	Deferred Bonus LTIP 1* £000	LTIP 2 £000	Sub-total £000	Pension £000	Total £000
2025	222	10	2	21	68	126	291	740	14	754
2024	215	7	2		70			293	43	336
Movement	7	3	0	21	-2	126	291	447	-29	418

Note - CEO reduced his pension contributions in year which was offset with additional gross pay shown in ‘other’ above

### Chief Financial Officer (J. C. Milner)

	Taxable Benefits				Bonus Schemes					
Year	Salary/ Fee £000	Car £000	Medical Insurance £000	Other £000	Annual Bonus £000	Deferred Bonus LTIP 1* £000	LTIP 2 £000	Sub-total £000	Pension £000	Total £000
2025	165	10			40	36	145	396	36	432
2024	149	6			30			185	30	215
Movement	16	4	0	0	10	36	145	211	6	217

### Details of the Executive Bonus Scheme are shown below:

### Chief Executive Officer (C.R.Taylor)

					Bonus applicable				Bonus	Proportion	Proportion	Proportion	Proportion
	Bonus	Weighting	Achieve- ment of Targets	Weighted Bonus	salary £000	Bonus %	Bonus £000	£000 by Objective	Paid in Year %	Paid in Year £000	Deferred (LTIP 1)%	Deferred (LTIP 1) £000	
Maxiumum Bonus	Service	60%	100%	60%	222	65%	144	86	45%	100	20%	44	
	Financial	20%	100%	20%				29					
	Personal	20%	100%	20%				29					
	Total	100%	100%	144									
Total					222	65%	144	144	100		44		
Actual Bonus	Service	60%	70%	42%	222	65%	98	61	45%	68	20%	30	
	Financial	20%	50%	10%				14					
	Personal	20%	80%	16%				23					
	Total	100%	68%	98									
Total					222	65%	98	98	68		30		

# REMUNERATION COMMITTEE

Chief Financial Officer (J.C. Milner)

	Bonus Objectives	Weighting	Achievement of Targets	Weighted Bonus	Bonus applicable salary £000	Bonus %	Bonus £000	Bonus £000 by Objective	Proportion Paid in Year %	Proportion Paid in Year £000	Proportion Deferred (LTIP 1)%	Proportion Deferred (LTIP 1) £000
Maximum Bonus	Service	60%	100%	60%				49				
	Financial	20%	100%	20%	165	50%	83	17	35%	58	15%	25
	Personal	20%	100%	20%				17				
	Total	100%		100%				83				
Total					165	50%	83	83		58		25
Actual Bonus	Service	60%	70%	42%				35				
	Financial	20%	50%	10%	165	50%	58	8	35%	40	15%	17
	Personal	20%	90%	18%				15				
	Total	100%		70%				58				
Total					165	50%	58	58		40		17

\* FY25 is the final year of AMP 7 so the deferred elements of the scheme will be paid and are included in the tables above.

Deferred values are shown below

	2020/21	2021/22	2022/23*	2023/24	2024/25	TOTAL AMP
Executive:						
C. R. Taylor	34	31		31	30	126
J.C. Milner		6		13	17	36

\* There was no LTIP provision in 2022/23 due to a fraud incident in the year

Long term incentive scheme 2 (LTIP2)

The table below shows the LTIP2 earned in respect of performance for 2020-2025. Prior to determining the vesting outcomes for LTIP2, the Committee undertook a broader review of performance to ensure outcomes appropriately reflected overall performance delivered for both the CEO and CFO.

The Committee noted that following appointment to the role in September 2021, the CFO had made an exceptional contribution towards execution of key strategic priorities. In particular, the Committee noted that the CFO had made a significant contribution to the company’s work for PR24 and the financing of Havant Thicket Reservoir. In the context of this contribution, the Committee determined the CFO’s award should not be pro-rated. The Committee was satisfied the final outcome was a fair reflection of performance delivered over the period since appointment and overall remuneration was reasonable considering the size and scope of his role.

This scheme is payable at the end of the current period in 2025 and is in addition to the schemes outlined above and is related entirely to business performance. It is not set in relation to the Executive Directors’ salary.

	Target Outperformance Threshold £000	Actual Outperformance £000	Vesting Threshold* £000	Outperformance >Vesting Threshold £000	Maximum Bonus %	Bonus Payable for 5 year AMP period £000
Totex	8,000	12,549	9,550	1,936	30%	581
Non Regulated EBITDA minus capex	4,750	-1,063				
Total	12,750	11,486	9,550	1,936	30%	581

\*LTIP2 requires a combined out performance of £9.55m before reward is earned. Combined out performance was £1.936m

The projected bonus is set out below:

	Percentage of LTIP2 total	Total LTIP2 Payable* £000	LTIP2 earnt in year** £000
Chief Executive Officer C. R. Taylor	50%	291	58
Chief Financial Officer J.C. Milner	25%	145	42

\*The remaining 25% relates to a member of the Executive Leadership Team

\*\*Assumes 1/5th of LTIP2 was earnt in FY25 for CEO and 1/3.5th of LTIP2 was earnt in FY25 for CFO

Long term incentive scheme 3 (LTIP3)

This scheme is payable based on on-time delivery of wet commissioning (in line with Havant Thicket Reservoir wet commissioning ODI) together with cost savings of at least £0.5m (Totex out performance). Given the very early stages of the programme and early indications of cost pressures, no provision has been made in relation to this incentive scheme at this time. This scheme will be reviewed as part of the overall short and long-term incentive review.

Summary of total bonus earned in year

As it is the end of the AMP, LTIP1 and LTIP2 are vesting.

	Annual bonus (Variable pay) Earned £000	Deferred bonus/LTIP1 (Variable pay) Earned £000	LTIP2 Earned	Total Earned for Year
Chief Executive Officer C. R. Taylor	68	30	58	156
Chief Financial Officer J.C. Milner	40	17	42	99

Summary of total bonus payable

	Annual bonus (Variable pay) payable £000	Deferred bonus/LTIP1 (Variable pay) payable £000	LTIP2 payable	Total payable
Chief Executive Officer C. R. Taylor	68	126	291	485
Chief Financial Officer J.C. Milner	40	36	145	221

Pension Entitlements (Audited Information)

The Company participates in a defined contribution scheme. Mr C. R. Taylor and Mr J. C. Milner are members of the defined contribution scheme. Contributions amounting to £50,325 were made on their behalf by the Company in the year.

The Non-Executive Directors are not members of the pension scheme.

Remuneration of the Chief Executive Officer

The table below summarises the remuneration of the Chief Executive Officer for each of the last six financial years.

Year ending 31 March:	2019	2020	2021	2022	2023	2024	2025
Total remuneration excluding pension (£000)	167	240	275	287	209	336	754

Percentage Change in Remuneration of the Chief Executive Officer

The following table shows the percentage change in the base salary and benefits of the Chief Executive Officer between the current and previous financial year compared to the average for all employees of the Company.

% change in:	Chief Executive Officer	Average for all employees
Base Salary <sup>1</sup>	3%	3%

<sup>1</sup>This increase represents the impact of the annual pay award on the average employee salary and includes impact from individual’s promotions.

CEO Ratio Reporting for the Year Ended 31 March

The Companies (Miscellaneous Reporting) Regulations 2018 introduced new legislation in respect of reporting ratio of CEO pay compared to other employees. The table below shows this information produced in accordance with the legislation.

CEO total pay as ratio of the following	2023	2024	2025
25th percentile	20:1	13:1	13:1
50th percentile	12:1	10:1	9:1
75th percentile	8:1	7:1	6:1

This report was approved by the Board on 27 June 2025. The Company believes that the 50th percentile ratio is consistent with the Company’s general employee pay, reward and progressive policies due to the pay grades structure in place.

# DIRECTORS' REPORT

The Directors have pleasure in presenting their Directors' Report for the year ended 31 March 2025.

### Principal Activity and Business Review

The principal activity of the Company and a detailed review of its operations, strategy and business model is provided in the Chairman's Statement on pages 7 to 13 and the Strategic Report on pages 16 to 29.

### Financial Risk Management Objectives and Policies

A detailed review of the Company's financial risk management objectives and the policies employed are set out in the Strategic Report on pages 86 and 99.

### Financial Results and Dividends

The Company's profit before tax amounts to £1.7m (2024: loss before tax of £(4.3)m). After deducting a tax charge of £(0.6)m (2024: tax credit of £0.9m), a profit of £1.1m has been transferred to reserves (2024: loss of £(3.4)m).

The Directors have proposed a final dividend in respect of the year ended 31 March 2025 of £2.9m (final dividend in respect of the year ended 31 March 2024: £3.2m).

### Fixed Assets

Capital expenditure on tangible fixed assets was £67.7m (2024: £52.3m) and on intangible fixed assets was £11.2m (2024: £8.7m). Information relating to these and other changes in fixed assets is shown in note 11 and 12 to the accounts.

The Directors are of the opinion that the current market value of the land and buildings included in tangible fixed assets is in excess of the value shown in the balance sheet. As they are held for operational purposes, no professional valuation has been obtained and the excess has not, therefore, been quantified.

### Exceptional items

An exceptional item charge of £0.337m has been reported. An exceptional charge of £0.031m was recorded in 2024 relating to the costs arising from the agreement to close the defined benefit pension scheme to future accrual. The exceptional costs recorded in 2025 relate to additional advice and preparation work incurred by the pension scheme relating to a further insurance buy-in expected to complete in the next year.

### Share Capital

There was no new capital issue during the year. Full details of the current issued capital can be found in Note 22 to the Financial Statements.

### Board of Directors

The Directors who held office at the date of signing of these financial statements are shown on pages 106 and 107.

Mr. C. Deacon, Mr. C. R. Taylor, Mr. C. Loughlin, Dr. L. Stoimenova, Mr. J. C. Milner and Mrs S Darcy who retire by rotation, offer themselves for re-election.

No Directors have any interest in the share capital of the Company.

The Company maintains appropriate Directors' indemnity insurance.

### Substantial Shareholder

At 31 March 2025, Portsmouth Water Holdings Limited owned the entire voting capital of the Company.

### Regulatory Accounts

A set of accounts for regulatory purposes is required by the Water Services Regulation Authority. These accounts relate solely to the regulated water supply business and copies may be obtained on request from the Registered Office or via our website at [www.portsmouthwater.co.uk](http://www.portsmouthwater.co.uk).

### Employees

Direct communication with employees is maintained through a weekly management blog and a series of staff presentations. In addition, the Joint Information and Consultative Committee met regularly and ensured effective communication with employee representatives. The executive Directors review the minutes from the meetings.

The Directors consider Health and Safety and wellbeing to be an important issue within the Company, with the active participation of employee safety representatives taking place through the Health and Safety Committee. During the year, a number of initiatives were undertaken, which ensured that Health and Safety continues to maintain its high profile throughout the organisation.

Further details relating to employees, including matters relating to our diversity, equality and employment of disabled persons, are set out on pages 74 to 80.

### Environment

The Company is aware of its obligations to both customers and the environment. In recent years, it has adopted an active approach to environmental issues and further information is set out in the Strategic Report on pages 30 to 65. The total amount of gross Greenhouse Gas Emissions that resulted from the Company's operations in the financial year is estimated to be 6,052 tCO<sub>2</sub>e (2024: 6,110 tCO<sub>2</sub>e).

### Licence Requirement

In accordance with its Instrument of Appointment under the Water Industry Act 1991, the Directors are of the opinion that the Company is in compliance with paragraph 3.1 of Condition 'P' of that Instrument.

### Auditors

KPMG LLP were appointed as Auditors of the Group during 2017 in respect of the year ended 31 March 2018. In 2020 they were re-appointed following a tender review.

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the current auditors are aware of that information.

### Statement of Directors' Responsibilities in respect of the Annual Report, the Strategic Report, the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Annual Report, the Strategic Report and the Directors' Report and the 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



### By order of the Board

C. Hardyman ACIS Secretary  
PO Box 8, West Street,  
Havant, Hampshire  
27 June 2025

**Registered Office**

Brockhampton Springs  
West Street  
Havant  
Hampshire  
PO9 1LG

Telephone: 023 9249 9888  
Fax: 023 9245 3632  
[www.portsmouthwater.co.uk](http://www.portsmouthwater.co.uk)

Company Number: 2536455

Company Secretary: Christopher Hardyman ACIS

**Registered Address of the  
Ultimate Holding Company**

Ancala Fornia Topco Pte. Ltd.  
9 Straits View  
#06-07 Marina One  
West Tower  
Singapore 018937

**Auditor**

KPMG LLP, New Kings Court, Tollgate,  
Chandlers Ford SO53 3LG

**Banker**

Lloyds Bank plc, 25 Gresham Street  
London EC2V 7HN

**Insurance Broker**

Willis Watson Towers, The Anchorage  
34 Bridge Street, Reading, Berkshire  
RG1 2LU

[head.office@portsmouthwater.co.uk](mailto:head.office@portsmouthwater.co.uk)  
023 9249 9888

Brockhampton Springs, West Street,  
Havant, Hampshire, PO9 1LG

A close-up photograph of several vertical stems of a plant with small, bright pink flowers. The flowers are arranged in dense, elongated clusters along the stems. The background is a soft, out-of-focus green, suggesting foliage. The lighting is natural, highlighting the texture of the petals and the structure of the stems.

# FINANCIAL STATEMENTS

# INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF PORTSMOUTH WATER LIMITED

### Opinion

We have audited the financial statements of Portsmouth Water Limited (“the Company”) for the year ended 31 March 2025 which comprise the Income Statement, Statement of Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company’s affairs as at 31 March 2025 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion

### Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company’s financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year

from the date of approval of the financial statements (“the going concern period”). In our evaluation of the Directors’ conclusions, we considered the inherent risks to the Company’s business model and analysed how those risks might affect the Company’s financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors’ assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company’s ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

### Fraud and breaches of laws and regulations – ability to detect

*Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors and inspection of policy documentation as to the Company’s high-level policies and procedures to prevent and detect fraud, and the Company’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit and Risk Committee minutes.
- Considering remuneration incentive schemes and performance targets for management and Directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls,

in particular the risk that management may be in a position to make inappropriate accounting entries.

On this audit we do not believe there is a fraud risk related to revenue recognition because of the regulated nature of the revenues recognised and limited opportunity or incentive for management to manipulate these revenues.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

*Identifying and responding to risks of material misstatement related to compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Company’s regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation.

We identified the following areas as those most likely to have such an effect: compliance with OFWAT regulatory legislation, environmental legislation, water quality, health and safety, anti-bribery, employment law, GDPR compliance and certain aspects of company legislation recognising the nature of the Company’s activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement.

We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### Other information

The Directors are responsible for the other information, which comprises the strategic report, the Directors’ report and the governance report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the strategic report and the Directors’ report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006

### Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### Directors’ responsibilities

As explained more fully in their statement set out on page 133, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to

fraud or error; assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### Auditor’s responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor’s report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC’s website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members, as a body, for our audit work, for this report, or for the opinions we have formed.

**James Ledward**  
(Senior Statutory Auditor)

for and on behalf of  
**KPMG LLP**  
**Statutory Auditor Chartered**  
**Accountants, New Kings Court,**  
**Tollgate, Chandlers Ford SO53 3LG**

27 June 2025

# INCOME STATEMENT

For the year ended 31 March 2025

	Notes	2025 £000	2024 £000
Turnover	3	49,596	47,919
Cost of sales		(34,454)	(32,411)
Gross profit		15,142	15,508
Net operating expenses	4	(8,445)	(7,345)
Operating profit before profit/(loss) on disposal of fixed assets and exceptional items		6,697	8,163
Profit/(loss) on disposal of fixed assets and investment properties		(26)	-
Exceptional items - settlement and related costs on pension scheme	24	(337)	(31)
Operating profit after profit/(loss) on disposal of fixed assets and exceptional items		6,334	8,132
Interest receivable and similar income	7	4,056	6,265
Other finance income	24	-	-
Interest payable and similar charges	8	(8,685)	(18,745)
Profit/(loss) on ordinary activities before tax	6	1,705	(4,348)
Taxation on loss on ordinary activities	9	(567)	918
Profit/(loss) for the financial year		1,138	(3,430)

The accompanying notes form part of these financial statements.  
The income statement has been prepared on the basis that all operations are continuing.

# STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2025

	Notes	2025 £000	2024 £000
Profit/(loss) for the financial year		1,138	(3,430)
Remeasurement of net defined benefit pension scheme asset	24	818	364
Deferred tax relating to movements on pension scheme asset		(204)	(91)
Fair value movements on hedge accounted financial instruments		791	380
Deferred tax relating to movements on hedged financial instruments		(198)	(95)
Total comprehensive Profit for the year		2,345	(2,872)

The accompanying notes form part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

For the year ended 31 March 2025

	Notes	2025 £000	2025 £000	2024 £000	2024 £000
<b>Fixed assets</b>					
Intangible fixed assets	11	26,845		15,191	
Tangible fixed assets	12	334,273		264,605	
			361,118		279,796
<b>Current assets</b>					
Investments (including short term deposits)	13	2		90,002	
Stock		570		576	
Debtors	14	24,754		21,789	
Cash and cash equivalents	15	50,775		25,959	
		76,101		138,326	
Creditors: Amounts falling due within one year	16	(61,797)		(50,100)	
<b>Net current assets</b>			14,304		88,226
<b>Total assets less current liabilities</b>			375,422		368,022
Creditors: Amounts falling due after more than one year	17	(226,576)		(219,761)	
Deferred income	18	(34,717)		(34,223)	
Provisions for liabilities	19	(9,299)		(8,330)	
<b>Net assets excluding pension asset</b>			104,830		105,708
Pension asset	24		-		-
<b>Net assets including pension asset</b>			104,830		105,708
<b>Capital and reserves</b>					
Called up share capital	22		81,078		81,078
Share premium account			9,382		9,382
Capital redemption reserve			3,250		3,250
Cash flow hedge reserve			878		285
Profit and loss account			10,242		11,713
<b>Shareholder' funds</b>			104,830		105,708

The accompanying notes form part of these financial statements.  
The accounts were authorised for issue and approved by the Board on 27 June 2025 and signed on its behalf by:

J. C. Milner  
Director  
Company Number: 2536455

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2025

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Cashflow hedge reserve £000	Retained earnings £000	Total £000
<b>Balance at 1 April 2023</b>	21,078	9,382	3,250	-	17,212	50,922
Loss for the year	-	-	-	-	(3,430)	(3,430)
Remeasurement of hedging financial instruments	-	-	-	380	-	380
Remeasurement of defined benefit pension scheme	-	-	-	-	364	364
Movement on deferred tax relating to hedging financial instruments and pension scheme	-	-	-	(95)	(91)	(186)
Total comprehensive loss for the year	-	-	-	285	(3,157)	(2,872)
Share issue in the year	60,000	-	-	-	-	60,000
Dividends paid in the year	-	-	-	-	(2,342)	(2,342)
<b>Balance at 31 March 2024</b>	<b>81,078</b>	<b>9,382</b>	<b>3,250</b>	<b>285</b>	<b>11,713</b>	<b>105,708</b>
Profit for the year	-	-	-	-	1,138	1,138
Remeasurement of hedging financial instruments	-	-	-	791	-	791
Remeasurement of defined benefit pension scheme	-	-	-	-	818	818
Movement on deferred tax relating to hedging financial instruments and pension scheme	-	-	-	(198)	(204)	(402)
Total comprehensive profit for the year	-	-	-	593	1,752	2,345
Share issue in the year	-	-	-	-	-	-
Dividends paid in the year	-	-	-	-	(3,223)	(3,223)
<b>Balance at 31 March 2025</b>	<b>81,078</b>	<b>9,382</b>	<b>3,250</b>	<b>878</b>	<b>10,242</b>	<b>104,830</b>

The retained earnings balance represents accumulated profits and losses, net of dividends paid and other adjustments.  
The share premium reserve contains the premium arising on the issue of equity shares, net of issue costs.  
The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March 2025

	Notes	2025 £000	2025 £000	2024 £000	2024 £000
Cash generated from operations	23		10,431		12,699
Tax paid		-		-	
Net cash inflow from operating activities			10,431		12,699
Cash flows from investing activities					
Purchase of tangible fixed assets		(67,746)		(52,343)	
Purchase of intangible fixed assets		(11,185)		(8,681)	
Short term investment net deposits (made)/received		90,000		(90,000)	
Finance lease payments		(66)		(314)	
Capital contributions received		1,242		761	
Receipt from repayment of long term investment loan		-		55,484	
Sale of tangible fixed assets and investment properties		-		14	
Interest and investment income received		6,181		5,814	
Net cash generated in investing activities			18,426		(89,265)
Cash flows from financing activities					
Receipts from new subordinated inter-group loan		30,000		-	
Repayment of subordinated inter-group loan		(20,623)		-	
Receipts from issue of new ordinary share capital		-		60,000	
Equity dividends paid		(3,223)		(2,342)	
Interest and related finance costs paid		(10,195)		(9,206)	
Net cash used in financing activities			(4,041)		48,452
Net increase / (decrease) in cash and cash equivalents			24,816		(28,114)
Cash and cash equivalents at beginning of year			25,959		54,073
Cash and cash equivalents at end of year	15		50,775		25,959
Comprising:					
Cash at bank and in hand			6,835		10,273
Cash equivalents			43,940		15,686
	15		50,775		25,959

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

1. Accounting policies

Portsmouth Water Limited is a private company incorporated in England and Wales under the Companies Act 2006. The Company’s registered office is PO Box 8, West Street, Havant, PO9 1LG and the registered number is 2536455.

The financial statements of Portsmouth Water Limited have been prepared in compliance with UK Accounting Standards, including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (“FRS 102”) and the Companies Act 2006.

The principal accounting policies applied in the preparation of these financial statements are set out below. The financial statements are presented in pounds sterling.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken from disclosing information relating to financial instruments and key management personnel remuneration. The Company’s financial statements have been consolidated into the group accounts of Ancala Fornia Holdco Limited, copies of which are available from the Company’s registered office, and into the group accounts of Ancala Fornia Topco Pte Limited, which is registered in Singapore.

In view of the licence conditions under which the Company operates as a water supplier, it is required to publish information about its annual results as if it were a company covered by the Listing Rules of the Financial Conduct Authority, except where it is considered inappropriate to do so. Earnings per share disclosures are not presented as the Company is a wholly owned subsidiary. Segmental reporting has not been presented as, in the opinion of the Directors, the Company undertakes a single activity.

The principal accounting policies are as follows:

1.1 Basis of preparation

These financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain assets which have been measured at fair value.

The preparation of financial statements requires the use of critical accounting estimates. They also require management to apply judgement in the application of group accounting policies. Those areas that involve a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

1.2 Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons. The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds through cash balances, operating cash flow and loan facilities to meet its’ liabilities as they fall due for that period.

The forecasts prepared also demonstrate that after reasonable, controllable management mitigating actions the Company continues to meet all banking covenants and key ratings metrics.

The Directors have prepared and reviewed a number of scenarios around the Havant Thicket Reservoir (“HTR”) project. To this, core business downsides have been considered, including reduced customer debt collections, continued cost inflation pressures on a number of key cost inputs, including commodity prices, and the impact of higher bank borrowing rates through the next AMP performance period.

The base case forecast assumes that the Company operates in line with its Business Plan assumptions, as set out and agreed with Ofwat in the Final Determination for the AMP8 period through to 2030. Funding available for this period assumes full utilisation of the existing bank facilities in place through to 2028, and the extension of these or similar facilities from 2028, along with increased borrowings needed to fund the full capital expenditure programmes for AMP8. This includes the expected increase to the HTR scheme expenditure to include the additional work related to the use of re-cycled water from Southern Water’s new plant into the reservoir. It is assumed that the increased funding needed will be fully supported by Ofwat, and reflected in a further cost adjustment mechanism increase, and this will support any additional loan or equity funding that is provided by external parties or the Ancala parent shareholder into the Company.

In the Directors’ opinions a combination of events listed above reflect a ‘severe but plausible’ down side scenario for the purpose of assessing the Company’s ability to continue as a Going Concern. Further longer-term scenarios have also been set out in the Viability Statement. In this ‘severe but plausible’ downside scenario the Company remains financially viable following mitigating actions, which includes the securing of additional financing required to fund the expanded HTR scheme and other capital programmes over the AMP8 period and beyond. Other mitigating actions available include the reduction in infrastructure renewals and related capital activities, and management of staff related costs including overtime and recruitment. The Directors consider that these mitigating actions are all within the control of the business.

In conclusion, the Directors, after reviewing the Company’s operating budgets, investment plans and financing arrangements, consider that the Company will have sufficient funds available, to allow the Company to continue to meet its liabilities as they fall due, for a period of at least 12 months from the date of approval of the financial statements.

Accordingly, the Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

## 1. Accounting policies (continued)

### 1.3 Turnover

Turnover, which excludes value added tax, represents the income receivable for goods and services provided to external customers in the ordinary course of business. It comprises the value of water supplied and other related charges and some non-regulated activities. Revenue is recognised at the fair value of the consideration received or receivable at the point of service delivery.

Turnover from the regulated water business includes amounts billed for the year, together with an estimation of amounts unbilled at the year- end, for measured water customers.

Unmeasured income bills are based on the rateable value of properties. Unmeasured customers are billed annually in advance on 1 June and amounts invoiced in advance are not recognised in turnover until earned. Measured income arises from customers who have meters fitted at their premises and amounts billed, therefore, are based on actual water consumption. The estimation of the amounts unbilled at the year end uses a defined methodology based upon a measure of unbilled water consumed, which is calculated from historical customer data.

Turnover includes the amortisation of capital contributions received in connection with the enhancement of mains infrastructure. This is set out further below.

### 1.4 Tangible fixed assets

The Company holds both above ground assets and a below ground infrastructure network of mains.

#### Mains infrastructure (below ground assets)

Infrastructure assets comprise a network of mains, communications pipes and boundary boxes. The Company undertakes expenditure on this network in order to maintain it in an ongoing serviceable condition. Where this expenditure meets certain criteria (set out below) it is capitalised. All other expenditure is expensed as incurred.

### 1.4 Tangible fixed assets (continued)

Expenditure on infrastructure assets relating to increases in capacity or other economic enhancement is capitalised. Other economic enhancements relate primarily to the installation of new boundary boxes, betterment of the network such as upsizing and schemes where a significant proportion of the network in that area has been replaced. Such items are treated as additions and included in property, plant and equipment at cost.

The cost of infrastructure assets is their purchase cost, together with incidental expenses of acquisition and directly attributable labour costs which are incremental to the Company.

The assets are depreciated over their useful lives of between 40 and 100 years on a straight line basis. There are no expected residual values assigned.

#### Other fixed assets (above ground assets)

Other assets comprise buildings and reservoirs, pumping plant, vehicles, mobile plant and office equipment. The cost of other assets is the purchase cost, together with incidental expenses of acquisition and directly attributable labour costs which are incremental to the Company. Where the asset concerned is considered to be a qualifying asset, incidental expenses also include attributable borrowing costs incurred during the period by the company, relating to the acquisition and construction of the asset. A qualifying asset is one that necessarily takes a substantial period of time to be acquired and constructed ready for its intended use, which is normally well in excess of one year.

#### Depreciation

Depreciation is provided on all fixed assets, with the exception of freehold land. It is calculated to write off the cost of assets over their estimated useful economic lives using the straight- line method. There are no expected residual values.

Those lives are estimated as follows:

- Building and reservoirs: 100 – 150 years
- Reservoir inspections: 10 years
- Pumping & other plant (including solar panels): 15-25 years
- Office equipment: 5-10 years
- Vehicles and mobile Plant: 5-7 years
- Computer and network hardware: 5 years
- Metering equipment: 7-12 years

#### Assets in the course of construction

Assets in the course of construction are included in tangible fixed assets at cost but are not depreciated until they come into use.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

### 1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Costs incurred relating to the development of longer term projects and related assets, that meet all of the criteria below, are capitalised as intangible fixed assets. These include the costs of direct materials, supplier services and incidental expenses, as well as the costs of employees directly involved in the project and the generation of the intangible asset. Development projects include those involving the design and development of specific new and improved processes, systems and services used throughout the company.

The criteria used for capitalisation of a development project as an intangible asset is as follows:

- there is technical feasibility of completing the project so that it will be available for use;
- there is an intention to complete the project so that it is available for use;
- it is probable that the project will generate economic benefits for use in the future;
- there are adequate technical, financial and other resources available to complete the development; and
- the company is able to reliably measure the expenditure attributable to the project.

Where the intangible asset concerned is considered to be a qualifying asset, incidental expenses capitalised also include attributable borrowing costs incurred during the period by the company, relating to the acquisition, design and development of the asset. A qualifying asset is one that necessarily takes a substantial period of time to be acquired and developed ready for its intended use, which is normally well in excess of one year.

Amortisation is recognised to write off the cost of intangible assets over their useful lives on the following basis:

Software: 3 - 5 years  
Other development projects: 5 - 10 years

### 1.6 Capital contributions

#### Mains contributions

In certain circumstances third parties make non-returnable contributions towards the cost of specific infrastructure assets. In accordance with the FRS 102 requirement to include fixed assets at cost, such contributions are treated as deferred income and released to the income statement over the useful economic life of the corresponding assets.

#### Infrastructure charges

Infrastructure charges are made in respect of new connections in accordance with Condition ‘C’ of the Instrument of Appointment. These charges are treated as mains contributions as explained above.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

## 1.7 Financial Instruments

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for financial assets classified as fair value through profit and loss, which are initially measured at fair value (normally transaction price excluding transaction cost).

If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments which meet the applicable conditions are recognised as basic financial instruments and subsequently measured at amortised cost using the effective interest rate method. Instruments that are payable or receivable within one year of initial recognition and meet the applicable conditions are measured at the undiscounted amount of consideration expected to be paid or received, net of impairment.

Financial assets are de-recognised when and only when the contractual rights to the cash flows from the financial assets expire or are settled, or the Company transfers substantially all of the risks and rewards of ownership of the financial asset. Financial liabilities are de-recognised only when the obligation specified in the contract is discharged, cancelled or expires.

### Hedge accounting

Any financial derivatives held are accounted for in line with FRS102 and recorded at fair value. Fair value is determined on the basis of discounted cashflow models and supported by valuations provided by counter-parties to the financial derivatives. Fair value adjustments are considered at each reporting date and applied through the Income Statement, Statement of Other Comprehensive Income and the Statement of Changes in Equity. As the asset increases or decreases in value, the associated deferred tax movement is also reflected in the financial statements.

Where a financial derivative (normally a swap) qualifies as a hedging instrument under the conditions of FRS102 (S12.17) hedge accounting will be applied from the point that the financial derivative was arranged on the basis of the required FRS102 criteria.

Hedged fair value movements will be reported in line with hedge accounting, such that gains and losses are recognised through the Statement of Other Comprehensive Income and cumulative amounts reported in the Cash Flow Hedge Reserve in the Statement of Financial Position.

Where a financial derivative does not qualify for hedge accounting, all movements in the fair value of the derivative are recognised in the Income Statement.

### Investments

Investments consist of non-current and current investments. Non-current investments included long term to group companies. They are measured at amortised cost using the effective interest rate method. Current asset investments are held at cost less impairment when fair value cannot be measured reliably.

## 1.8 Impairment

Assets other than those measured at fair value, are assessed for indicators of impairment at each statement of financial position date. If there is objective evidence of impairment, an impairment loss is recognised in the income statement.

### Non-financial assets

Assets are impaired when evidence indicates that the assets recoverable amount is less than its carrying amount. Recoverable amount is the lower of fair value less cost to sell and its value in use.

### Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial assets original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

## 1.9 Stocks

Stocks of raw materials are valued on a weighted average cost basis at the lower of cost or net realisable value. In accordance with established practice in the water industry, no value is placed upon the water in reservoirs, mains or in the course of treatment.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

## 1.10 Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Company. All other leases are classified as operating leases. Assets held under finance leases are recognised initially at the fair value of the leased asset or, if lower, the present value of minimum lease payments at the inception of the lease. The corresponding liability is included in the statement of financial position as 'finance lease liabilities' within creditors. Lease payments are apportioned between finance charges and reduction of the lease liability using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are included in tangible fixed assets and are depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term.

## 1.11 Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or the right to pay less tax in the future, have occurred by the statement of financial position date. Deferred tax assets are recognised when it is probable that they will be recovered.

Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is recognised when assets are revalued and the gain or loss expected to arise on sale has been recognised in the financial statements. More information about the types of tax that Portsmouth Water pays can be found on pages 90 to 91 'Tax Strategy'.

## 1.12 Pension costs and other post-retirement benefits

Portsmouth Water Limited, a subsidiary undertaking, is the principal employer and its parent company, Brockhampton Holdings Limited, is the participating employer in the Brockhampton Pension Scheme. This scheme is a defined benefit scheme. The assets of the scheme are held in a separate trustee administered fund. As principal employer, Portsmouth Water Limited includes the pension asset in its financial statements.

The current service costs are charged to the income statement and included as staff employment costs. The interest cost and interest income are shown as a net amount within other finance income. Re-measurements of the net defined benefit asset are recognised immediately in other comprehensive income. In accordance with the provisions of FRS102, the level of defined benefit asset recognised is restricted to the extent which future benefits can be recovered by the Company.

Pension scheme liabilities are measured on an actuarial basis using a projected unit method and are discounted to their present value using the AA corporate bond rate. Pension scheme assets are valued at fair value at the statement of financial position date.

The pension scheme liabilities are off-set against the pension scheme assets to calculate either a net surplus or deficit. Any pension scheme net surplus is only recognised to the extent that the Company can benefit from the surplus through reduced levels of future normal contributions, in line with the requirements of FRS102.

The deferred tax relating to any net pension surplus or deficit is offset against the pension liability or asset, and is not included with other deferred tax liabilities as part of the deferred tax provision balance.

During the year to 31 March 2023, changes to the scheme were agreed with the remaining active employees, such that accrual for future benefits earned by active employees ceased with effect from 31 March 2023, and the existing active employees became members of the defined contribution pension scheme, with enhanced company contributions payable for a period of time. As a result of this change, from 31 March 2023 the Company has ceased to make contributions into the Brockhampton Pension scheme, and none of the pension net surplus is recognised at the year end date.

Further detailed information regarding the pension scheme and actuarial position of the scheme as at 31 March 2025 is given in note 24 to the accounts.

The Company also operates a defined contribution pension scheme. The charge to the income statement amounts to the contributions payable to the scheme in respect of the accounting period.

## 1.13 Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation. The effect of the time value of money is not material and therefore the provisions are not discounted.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

## 2. Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The accounting estimates made will, by definition, seldom equal the actual results that out-turn over time. Those estimates and assumptions that have a risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are set out below;

### Capitalisation and Useful Economic Lives of Tangible Fixed Assets

#### i) Mains Infrastructure Assets

Judgement is used in determining the extent to which work on existing mains infrastructure represents ‘economic enhancement’, and should therefore be capitalised. This is assessed by reference to the extent that such assets are physically enhanced. Appropriately qualified and experienced company engineers are consulted as part of this process.

By the nature of below ground assets, it is more difficult to directly establish remaining estimated useful economic lives (‘UEL’). In setting the UELs, the Directors have consideration of a number of factors including the age and construction material of the pipes, historic experience in relation to both replacement and burst rates and industry averages. In particular, the range applied of 40 to 100 years is consistent with wider industry practice, which typically uses a range of between 50 and 200 years.

If the useful economic life of mains assets, with a UEL of 40-100 years, were to be extended by a further 10 years, this would generate a £98,000 (2024: £92,000) saving on depreciation charged in the year. If the useful economic life of these assets were to be reduced by 10 years, the impact on the depreciation charge would have been an additional charge of £130,000 (2024: £124,000).

#### ii) Havant Thicket Reservoir

As a result of the programme to construct the Havant Thicket Reservoir, at the year end date the Company had incurred £152.0m (2024: £93.5m) of expenditure, including £22.4m (2024: £14.0m) of related borrowing costs incurred, which has been capitalised as a tangible fixed asset (asset under construction). These costs will ultimately be recovered through the operation of the reservoir asset in the business, and through a long term third party contractual bulk supply arrangement in place with Southern Water and in line with an allowed separate price control mechanism.

Whilst the related commercial bulk supply agreement was signed back in 2021, there remains judgement as to whether the project can be delivered within the regulatory allowance that has been set for the separate Havant Thicket price control.

The Company has concluded that amounts incurred in the construction of the Havant Thicket Reservoir will ultimately be recovered in full and within the allowance set out in the price control due to the following factors;

- The project is progressing well, with the signing of all key construction contracts, and agreement of revised project budgets and the current contractual cost adjustment mechanism with both Ofwat and Southern Water
- The cost adjustment mechanism provides a further mechanism to mitigate adverse cost implications arising as a result of the planning and procurement process, including consideration of any further changes agreed between the parties relating to the long term bulk supply agreement.
- A further contractual cost adjustment mechanism is currently under discussion with Southern Water and Ofwat. This is expected to cover the additional construction costs associated with the revised reservoir plans, including the required re-routing and expansion of pipeline networks.

### Defined Benefit Pension Scheme

The Company has obligations to pay pension benefits to certain employees and former employees. The cost of these benefits and the present value of the related obligation depend upon a number of factors, including asset valuations, estimated life expectancies, inflation increases and the discount rate based on corporate bonds. Management estimate these factors in determining the net pension obligation. The assumptions reflect historic experience and current trends and are set in consultation with appropriately qualified and experienced actuarial advisors. In addition, management review the sensitivity analysis provided by the actuaries and use external data to benchmark the range of assumptions used. Management also consider all relevant factors in determining the recoverability of any surplus arising.

Sensitivities in respect of the assumptions used during the year are disclosed in note 24.

### Long term contract arrangement – Havant Thicket Reservoir

The long term bulk supply contract with Southern Water allows for the company to receive an appropriate return on the capital investment being made into the Havant Thicket Reservoir project, with amounts billable from contract commencement in 2021. As water from the Havant Thicket Reservoir is not expected to be supplied to Southern Water under the bulk supply agreement until the reservoir becomes fully operational, revenues arising from the contract will not be recognised in Turnover until this occurs. This is currently not expected to be until sometime after 2030, due to changes in scope on the reservoir construction project, as noted above.

The current bulk supply contract with Southern Water covers the period from 2021 through to 2100 (80 years). Amounts billable under the contract before supply commences will therefore be held as a deferred revenue balance (see Note 18). The company had billed and received £6.5m in total under the contract to 31 March 2025 (31 March 2024: £6.5m).

As noted above, an update to the current contract is currently under discussion with Southern Water and Ofwat.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

## 3. Turnover

	2025 £000	2024 £000
Unmeasured household supplies	22,144	21,646
Measured household supplies	14,601	13,389
Non-household supplies	9,932	9,710
Bulk supply	1,022	924
Amortisation of developer contributions (note 18)	749	1,048
Chargeable work	1,025	1,043
Deferred meter reading revenue	123	159
	49,596	47,919

Turnover is wholly attributable to water supply and related activities in the United Kingdom.

## 4. Net operating expenses

	2025 £000	2024 £000
Administrative expenses	8,960	7,827
Other operating income	(515)	(482)
	8,445	7,345

Administrative expenses above include the impact of a one-off business rates rebate of £nil (2024: £1,573,000) received in the year.

## 5. Directors and employees

	2025 £000	2024 £000
<i>Employment costs</i>		
Wages and salaries	16,681	12,942
Social security costs	1,856	1,434
Defined benefit pension costs (note 24)	505	364
Defined contribution pension costs (note 24)	2,083	1,786
	21,125	16,526
Costs transferred to capital schemes	(7,907)	(5,414)
Ordinary net employment costs charged to the income statement	13,218	11,112

### Average number of employees (full time equivalents)

	2025 Number	2024 Number	2023 Number
Operations	184	160	147
Administration	146	138	120
	330	298	267

Director Remuneration	Highest paid Director 2025 £000	Highest paid Director 2024 £000	Total Directors Remuneration 2025 £000	Total Directors Remuneration 2024 £000
Total remuneration	740	293	1,262	605
Pension contributions	14	43	50	73
	754	336	1,312	678

Two Directors (2024 – two) are accruing benefits under a defined contribution pension scheme. No benefits are accruing to Directors under defined benefit pension schemes.

Further details relating to Directors’ remuneration are set out in the Remuneration Committee Report on pages 118 to 131. The information set out in that Report which is subject to audit, forms part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

6. Profit/(loss) on ordinary activities is stated after charging / (crediting):	2025 £000	2024 £000
Depreciation - infrastructure assets	1,290	1,218
- non infrastructure assets	5,129	4,980
Amortisation of intangible assets	463	124
(Gain)/loss on disposal of fixed assets and investment properties	26	-
Business rates annual expenditure	1,529	1,434
Business rates – rebate received in the year relating to prior periods	-	(1,573)
Water abstraction charges	1,767	1,507
Hire of plant and machinery	22	28
Auditors’ remuneration:		
Fees payable to the current auditor for the audit of the Company’s Annual Report & Accounts	195	202
Fees payable to the current auditor for other services:		
Audit related assurance services - Annual Performance Review	72	69
Taxation compliance services	15	15
Other non-audit services	-	-
Fees in respect of the Brockhampton Pension Scheme: Audit*	14	14
*Not paid by the Company		

7. Interest receivable and similar income	2025 £000	2024 £000
Interest receivable on loan to group company	-	1,536
Bank and short term investment interest receivable	4,056	4,163
Income receivable from inflation-linked SWAP financial instrument	-	566
	4,056	6,265

8. Interest payable and similar charges	2025 £000	2024 £000
Inflation-linked RPI Bank loan - Interest	7,423	7,255
& CPI Bond - Indexation	7,388	14,854
- Amortisation of deferred finance costs	1,152	1,286
- Administration fees	1,390	1,331
Inflation-linked SWAP financial instrument - Fair value loss at year end	(1,248)	1,853
- Amounts payable in the year	367	-
Revolving loan facilities - Interest	-	-
- Amortisation of fees	299	299
Inter-company loans - Interest	1,161	620
Finance lease interest charge	67	64
Debenture stock interest	5	15
Gross interest payable and similar charges	18,004	27,577
Less: borrowing costs capitalised: - Tangible fixed assets (Note 12)	(8,387)	(7,918)
- Intangible fixed assets (Note 11)	(932)	(914)
Net interest payable and similar charges reported in the Income Statement	8,685	18,745

For information, the indexation charge is based on:  
- RPI (July 2024 – 387.5 and July 2023 – 374.2)  
- CPI (January 2025 – 135.4 and January 2024 – 131.5)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

9. Taxation	2025 £000	2024 £000
<b>Current tax</b>		
United Kingdom corporation tax at 25% (2024: 25%)	-	-
Adjustment in respect of prior periods	-	(14)
	-	(14)
<b>Deferred tax</b>		
Origination and reversal of timing differences	597	(918)
Adjustment in respect of prior periods	(30)	14
	567	(904)
Tax charge/(credit) on loss on ordinary activities	567	(918)
<b>Factors affecting the tax charge for the year</b>		
Profit/(loss) on ordinary activities before tax	1,705	(4,348)
Profit/(loss) on ordinary activities multiplied by standard rate of UK corporation tax of 25% (2024: 25%)	426	(1,087)
Effect of:		
Fixed asset differences	159	163
Other tax adjustments	12	6
Prior year adjustment - current tax	-	(14)
Prior year adjustment - deferred tax	(30)	14
Total tax charge/(credit) for year	567	(918)

## Current Tax - United Kingdom corporation tax at 25% (2024 - 25%)

Due to the Company’s historical trading losses, no current tax charges have been incurred for the year (2024 - £nil). The adjustment in respect of prior periods arose from the alignment of the group loss position, and is off-set by a similar off-setting adjustment in the deferred tax credit.

## Deferred Tax

Total deferred tax charged to the income statement was £567k (2024: £904k credit). Deferred taxes have been recognised on the temporary difference between the carrying amount of the fixed assets in the accounts and the amounts that will be deductible for tax purposes (capital allowances) in future years, in accordance with relevant tax legislation, resulting in a gross liability of £21.9m (2024: £14.9m).

Offset against this is the deferred tax benefit of other timing differences – these primarily relate to unutilised tax losses. A deferred tax asset of £12.6m (2024: £6.6m) has been recognised in respect of tax losses because it is probable that these assets will be recovered in future periods. Under the current tax regime, trading tax losses carried forward will be available to offset trading profits in future years. This results in a net overall deferred tax liability of £9.3m (2024: £8.3m). Details of the overall deferred tax net liability are set out in Note 19.

The deferred tax liability at 31 March 2025 has been calculated based on this 25% tax rate, reflecting the expected timing of the future reversal of the related timing differences (2024: 25%).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

10. Dividends	2025 £000	2024 £000
Equity: Ordinary		
Interim paid	-	-
Final paid	3,223	2,342
	3,223	2,342

Dividend policy is set to align with the 5-year business plan agreed with the Water Regulator Ofwat. The policy was set in line with regulatory guidance in Ofwat’s PR19 Final Methodology and the Draft Determination. The policy was updated in 2022 to reflect additional guidance provided in Ofwat’s PR19 Final Determination to reflect a yield of 4% on regulated equity, compared to 5% in the previous published dividend policy.

Historically dividends have been calculated based upon two elements – a return on the equity component of the Regulatory Capital Value (RCV) and a “recirculating” element, which permits interest on certain inter-company loans receivable to be serviced.

This second element was received by the Company in the form of interest payments from its parent company and did not result in any net cash outflow from the wider group. This recirculating element has been stopped from 31 March 2023, as the parent company loan, including interest accrued, was fully repaid in July 2023 as part of the new shareholder equity investment.

The normal equity dividend therefore reflects a 4% return on the average RCV of the company in the year, in line with the updated guidance provided with the PR19 Final Determination, and any additional recent guidance provided by Ofwat to UK water companies.

The Board considers adjustment (upwards or downwards) depending upon the following factors, which reflect financial resilience and overall Company performance:

- Overall financial performance of the appointed and non-appointed business;
- The Company’s performance against commitments to customers and stakeholders;
- Demonstrating compliance with financeability tests to ensure sufficient liquidity for the medium term and testing the financial viability of the company; and
- Recognising Regulatory requirements, in particular Licence Condition F.

**Proposed dividend for financial year 2022/23 (paid in 2023/24):**  
The directors recommended a total dividend of £2,342k, all being related to an equity dividend, which was paid in July 2023. As noted above, no recirculating dividend was paid.

No additional interim dividends were paid in the year to 31 March 2024.

**Proposed dividend for financial year 2023/24 (paid in 2024/25):**  
The directors recommended a total dividend of £3,223k, all being related to an equity dividend, which was paid in September 2024. As noted above, no recirculating dividend was paid.

No additional interim dividends were paid in the year to 31 March 2025.

**Proposed dividend for financial year 2024/25 (to be paid in 2025/26):**  
The Directors are proposing a total dividend of £2.894m, all being related to an equity dividend. This dividend is expected to be paid before 30 September 2025.

Further analysis supporting the dividend paid for financial year 2024 and proposed for financial year 2025 is included in our Annual Performance Report (APR) . The APR will be published in July 2025.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

11. Intangible fixed assets	Development Projects £000	Software including Consultancy £000	Total £000
Cost			
At 1 April 2024	9,258	9,059	18,317
Additions	5,764	5,421	11,185
Borrowing costs capitalised	767	165	932
Disposals and asset write-offs	-	(183)	(183)
At 31 March 2025	15,789	14,462	30,251
Amortisation			
At 1 April 2024	-	3,126	3,126
Charge for the year	-	463	463
Disposals and asset write-offs	-	(183)	(183)
At 31 March 2025	-	3,406	3,406
Net book value			
At 31 March 2025	15,789	11,056	26,845
At 1 April 2024	9,258	5,933	15,191

**Intangible assets in the course of construction**  
Included in the above are assets in the course of construction as follows:

	Development Projects £000	Software including Consultancy £000	Total £000
Cost			
At 1 April 2024	9,258	5,494	14,752
Additions	5,429	5,368	10,797
Borrowing costs capitalised	767	165	932
Transferred into completed intangible fixed assets	(5,374)	(7,043)	(12,417)
At 31 March 2025	10,080	3,984	14,064

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

## 12. Tangible fixed assets

	Freehold & leasehold land, buildings, reservoirs £000	Mains £000	Pumping plant £000	Vehicles, mobile plant and office equipment £000	Total £000
<b>Cost</b>					
At 1 April 2024	155,139	84,833	82,653	36,039	358,664
Additions	51,749	6,752	6,907	2,338	67,746
Borrowing costs capitalised	8,387	-	-	-	8,387
Disposals and asset write-offs	(78)	-	-	(1,151)	(1,229)
At 31 March 2025	<b>215,197</b>	<b>91,585</b>	<b>89,560</b>	<b>37,226</b>	<b>433,568</b>
<b>Depreciation</b>					
At 1 April 2024	16,891	11,686	41,168	24,314	94,059
Charge for the year	815	1,290	2,147	2,167	6,419
Disposals and asset write-offs	(37)	-	-	(1,146)	(1,183)
At 31 March 2025	<b>17,669</b>	<b>12,976</b>	<b>43,315</b>	<b>25,335</b>	<b>99,295</b>
<b>Net book value</b>					
At 31 March 2025	<b>197,528</b>	<b>78,609</b>	<b>46,245</b>	<b>11,891</b>	<b>334,273</b>
At 1 April 2024	138,248	73,147	41,485	11,725	264,605

Included in leasehold land above is land held under a long term (80 year) finance lease with a net book value of £1,319k (2024: £1,291k).

### Tangible fixed assets in the course of construction

Included in the above are assets in the course of construction as follows:

	Freehold & leasehold land, buildings, reservoirs £000	Mains £000	Pumping plant £000	Vehicles, mobile plant and office equipment £000	Total £000
<b>Cost and net book value</b>					
At 1 April 2024	94,982	9,327	13,480	3,890	121,679
Additions into WIP during the year	51,691	6,761	7,132	1,844	67,428
Borrowing costs capitalised	8,387	-	-	-	8,387
Transfers into completed tangible fixed assets	(1,062)	(10,070)	(2,812)	(331)	(14,275)
At 31 March 2025	<b>153,998</b>	<b>6,018</b>	<b>17,800</b>	<b>5,403</b>	<b>183,219</b>

Of the balance of assets in the course of construction, £152.0m (2024 - £93.5m) relates to Havant Thicket Reservoir which includes capitalised borrowing costs of £22.4m (2024 - £14.0m).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

## 13. Current asset investments

	2025 £000	2024 £000
Unlisted investments	<b>2</b>	2
Short term deposits	-	90,000
	<b>2</b>	90,002

Short term deposits comprise bank deposits which have a maturity, when placed on deposit, of between 3 months and 1 year.

## 14. Debtors

	2025 £000	2024 £000
Trade debtors	<b>9,983</b>	6,668
Amounts owed by Group companies	<b>4,528</b>	3,733
Prepayments	<b>861</b>	905
Accrued income	<b>4,927</b>	4,865
Financial derivatives (Note 20)	<b>1,171</b>	380
Other debtors	<b>3,284</b>	5,238
	<b>24,754</b>	21,789

All of the above amounts fall due within one year, with the exception of the financial derivatives (see Note 20), and a security deposit of £1.1m (2024: £1.1m) in Other Debtors relating to the Havant Thicket Reservoir.  
As at 31 March 2025, trade debtors had a carrying value of £14.5m (2024: £10.9m) before provision for bad debt.  
Trade debtors in arrears are provided for on a sliding scale depending on age of debt.  
The amount of the provision was £4.5m as at 31 March 2025 (2024: £4.2m) as noted further below.

The ageing of these debtors was as follows:

	2025 £000	2024 £000
Up to 12 Months	<b>9,980</b>	6,759
Over 12 Months	<b>4,498</b>	4,097
	<b>14,478</b>	10,856

Debtors provided for relate to water charges for household and non-household customers, where experience in the water industry has shown, over time, it is likely that there will be difficulties in recovering the water charges for the periods concerned.  
Of the total £4.5m provision (2024: £4.2m) £62k (2024: £59k) relates to non-household debtors and £4.4m(2024: £4.1m) relates to household debtors.

Movement on bad debt provision in the year:

	2025 £000	2024 £000
At 1 April 2024/2023	<b>4,188</b>	4,475
Provision for bad debt required in the year - Income statement charge	<b>696</b>	539
Provisions released in year - Income statement credit	-	(360)
Debt written off in the year as uncollectable (including fully provided debt over 6 years old)	<b>(389)</b>	(466)
At 31 March 2025/2024	<b>4,495</b>	4,188

The other classes within debtors contain balances that may be irrecoverable. The maximum exposure to credit risk at the reporting date is the fair value of each class of debtor mentioned above. The Company does not hold any collateral as security for debt except in relation to non-household debt, where in accordance with the non-household market Terms of Business, collateral is held in the form of cash deposits and guarantees to cover an element of non-household risk.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

15. Cash and cash equivalents	2025 £000	2024 £000
Cash at bank and in hand	6,835	10,273
Cash equivalents	43,940	15,686
	50,775	25,959

Cash equivalents relates to short term investment deposits with a maturity date within 90 days of deposit

16. Creditors: amounts falling due within one year	2025 £000	2024 £000
Trade creditors	14,682	14,677
Payments received on account	6,864	1,315
Intra-group subordinated loan (See Note 17)	30,000	20,623
Other amounts owed to group companies	1,346	2,460
Accruals	3,366	2,294
Other creditors	1,678	396
Social security and other taxation	484	432
Finance lease liability (See Note 25)	66	64
Financial derivatives (See Note 20)	603	437
Bank loan facilities drawn down	-	-
Less: deferred arrangement costs	(1,095)	(1,394)
Accrued refinance fees	665	646
Water rates paid by customers in advance	3,138	8,150
	61,797	50,100

17. Creditors: amounts falling due after more than one year	2025 £000	2024 £000
Bank RPI Artesian loan	147,416	142,285
Accrued bank loan refinance fees	1,847	2,185
Bank loan facilities drawn down	-	-
CPI Bond	80,340	78,026
Less: deferred arrangement costs	(4,314)	(5,410)
3% Perpetual debenture stock	60	60
3½% Perpetual debenture stock	185	185
4% Perpetual debenture stock	38	38
Finance lease liability (See Note 25)	1,004	977
Financial derivatives (See Note 20)	-	1,415
	226,576	219,761

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

17. Creditors: amounts falling due after more than one year  
(continued)

Bank loan

The bank RPI Artesian loan of £147.4m (2024: £142.3m) relates to a thirty year £66.5m index-linked bank loan which was issued in June 2002 and is repayable in September 2032, and which is secured over the assets of the company. The capital value of the loan is adjusted by the change in the Retail Prices Index from year to year. The fees associated with the loan issue of £1.722m are amortised over the life of the loan. The balance shown above is net of deferred arrangement costs of £0.4m (2024: £0.5m). The loan interest is calculated by adjusting the value of the loan by the Retail Prices Index and then charging interest on this amount at 3.635% per annum.

An exceptional charge of £4.5m was incurred in FY22 relating to fees associated with the restructuring of the RPI Artesian loan. Of this exceptional charge, £2.2m remains payable at 31 March 2025 (2024: £2.5m), with £2.2m falling due in over one year (2024: £2.2m).

CPI Bond

In March 2023, the company issued a new £75m ‘CPI-linked’ bond. At year end the bond had a revised book value of £80.3m (2024: £78.0m). The bond was issued through Assured Guarantee UK Limited, and placed privately with external UK investors. The bond matures in March 2037. Interest is chargeable on the bond by adjusting the value of the bond by the Consumer Prices Index (‘CPI’) and then charging interest on this amount at 2.63% per annum.

Other Bank and Inter-Group Facilities and Loans

Third Party Facilities and Loans

In March 2021, the company entered into a £55m bank revolving credit facility (‘RCF’), with NatWest as the lead facility agent.

This facility was originally due to mature in March 2025. Interest was payable based on the Sterling Overnight Index Average rate (‘SONIA’), plus an adjustment dependent upon the term of any drawdowns, plus a 1.25% margin. This margin was subject to an assessment of sustainability, with an adjustment of up to +/- 1.75 basis points depending on the Company’s performance against five sustainability linked ODIs.

In March 2023, the balances drawn down from this facility were fully repaid, when the company issued the new £75m ‘CPI-linked’ bond to external investors, as detailed above.

In March 2023, the £55m facility was replaced by a £155m Syndicated Facility Agreement, with NatWest as the lead facility agent. This new facility is made up of a separate £105m Revolving Credit Facility (‘RCF’), which matures in March 2028, and a £50m Term Loan facility, which matures in March 2029. Interest is payable based on SONIA, plus an adjustment dependent upon the term of any drawdowns, plus a 1.6% margin. This margin is subject to an assessment of sustainability, with an adjustment of up to +/- 1.75 basis points depending on the Company’s performance against five sustainability linked ODIs.

In March 2023, a further £50m bank facility was entered into with Lloyds Bank. This facility was originally due to mature in March 2028, but has been extended during the current financial year to March 2029. Interest is payable based on SONIA, plus an adjustment dependent upon the term of any drawdowns, plus a 1.5% margin. This margin is subject to an assessment of sustainability, with an adjustment of up to +/- 2.5 basis points depending on the Company’s performance against five sustainability linked ODIs.

In addition to these facilities, a further £15m revolving credit facility was agreed with Lloyds Bank in May 2023. This facility has a maturity in May 2027, with interest payable based on SONIA, plus a 1.1% margin.

No balances had been drawn down on either the NatWest or Lloyds March 2023 or the Lloyds May 2023 facilities (2024: £nil).

Fees associated with the bond issued and the bank facilities are deferred and amortised over the duration of the bond or loan facility. The balance of fees deferred at the year end date are off-set against the related bond or loan balance, as shown in Note 16 and Note 17 above.

Inter-group Facilities

In March 2021 the company entered into an inter-group loan agreement with Portsmouth Water Holdings Limited, its immediate parent company, permitting borrowing to a total facility value of £50m, initially drawing down £24.6m. During the year to 31 March 2023, a further £16m of additional group loans were provided via Portsmouth Water Holdings Limited. In March 2023, £20m of the loan balance was capitalised through the issue of £20m new ordinary shares, reducing the loan balance to £20.6m .

At the same time, the remaining group loan facility, having reduced from £50m to £30m following the £20m capitalisation, was increased from £30m to £45m. Interest accrued daily at 3.0% p.a. on the amount drawn on this inter-group loan, payable six monthly in arrears.

In August 2024 the Company received a new parent company funding loan provided via Portsmouth Water Holdings Limited of £30m. This loan is repayable on demand, and interest is chargeable at a fixed rate of 5.0% p.a. In the same month, the Company repaid the existing £20.6m inter-group loan provided by Portsmouth Water Holdings Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

18. Deferred income

	Capital contributions £000	Deferred bulk supply revenues £000	Total £000
At 1 April 2024	27,752	6,471	34,223
Additions	1,243	-	1,243
Release to Turnover (note 3)	(749)	-	(749)
At 31 March 2025	28,246	6,471	34,717

19. Provisions for liabilities

	2025 £000	2024 £000
<b>Deferred taxation:</b>		
At 1 April 2024/2023	8,330	9,047
Charge/(credit) during the year to income statement	567	(904)
Charge during the year to other comprehensive income	402	187
At 31 March 2025/2024	9,299	8,330

The amount provided for deferred taxation represents timing differences caused by the excess of tax allowances over depreciation, net of the benefit of deferred tax assets in respect of unutilised tax losses and other timing differences. The deferred taxation provision balance relating to the defined benefit pension scheme is off-set against the related net pension asset recognised (see Note 24).

	2025 £000	2024 £000
Total deferred taxation including deferred tax on pension asset:		
Accelerated capital allowances	21,947	14,954
Other timing differences (mainly tax losses)	(12,648)	(6,624)
	9,299	8,330
Pension asset (note 24)	-	-
Total provision for deferred tax	9,299	8,330

	2025 £000	2024 £000
At 1 April 2024/2023	8,330	9,047
Deferred tax charged/(credited) in income statement (note 9)	567	(904)
Deferred tax charged/(credited) to the statement of comprehensive income	402	187
At 31 March 2025/2024	9,299	8,330

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantially enacted in May 2021. The deferred tax liability at 31 March 2025 has been calculated based on these rates, reflecting the expected timing of reversal of the related timing differences (2024: 25%).

A deferred tax asset of £0.8m (2024 - £0.8m) relating to the Corporate Interest Restriction rules on interest charges has not been recognised as there is insufficient evidence that this asset would be recovered in future periods.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

20. Derivative financial instruments

As part of the Company’s risk management procedures, new derivative financial instruments were taken out in 2023. These derivative financial instruments (‘swaps’) are used to hedge the risks associated with the following:

- Floating interest rate risks on the long term bank revolving credit facilities (‘RCF’), established in March 2023. In April 2023, specific ‘floating-to-fixed’ swaps were put in place to manage an appropriate portion of this floating interest rate risk. These swaps have effective dates commencing from September 2025 when initial draw-down on the RCF is expected, and increase in line with the projected draw-down on the RCF in the period through to March 2028. In line with the FRS102 requirements, these swaps were considered to be effective and qualify for hedge accounting when they were put in place, and throughout the period to and at 31 March 2025 (also effective for year to 31 March 2024).
- The bank Artesian loan is index-linked, with annual increases in the capital value directly linked to changes in the RPI inflation index, in the period through to September 2032. Increases in this loan liability do not therefore match against expected increases in future revenues from customers, which are linked more closely to changes in the CPI inflation index. In April 2023, a specific ‘RPI-CPI’ swap instrument was put in place to help manage this mis-match in the period through to September 2032. In line with the FRS102 requirements, given the nature of the risk being managed and the RPI-CPI swap contract, it is not possible to undertake hedge accounting for this derivative financial instrument.

The following balances, based on market valuations of each derivative financial instrument, have been recorded at the year end date:

	2025 £000	2024 £000
<b>Interest rate swap fair value asset (see Note 14)</b>		
Due < 1 year	38	-
Due > 1 year	1,133	380
	1,171	380

<b>RPI-CPI swap fair value liability (see Note 16 &amp; 17)</b>		
Due < 1 year	(603)	(437)
Due > 1 year	-	(1,415)
	(603)	(1,852)

The interest rate swaps were entered into with ING Bank and Lloyds Bank. These are ‘fixed for variable’ interest rate swaps with total notional loan amounts increasing from £9.1m in September 2025 to £99.0m in March 2028. The fixed leg (paid by the Company) pays at a range of 3.08%-3.18%, with the floating leg (received by the Company) paying at published SONIA. These swaps qualify as a hedging instrument under the conditions of FRS102 (s.12.17) at the year end date. Hedge accounting has been applied from the point that the swap derivative contract was arranged on the basis of the criteria set out in FRS102 (s.12.18).

The RPI-CPI swap was entered into with Lloyds Bank. Under the term of the swap, the Company pay an annual charge on 30 September each year from 2023 to 2032, based on increases in CPI applied to a capital value of £131.7m (the value of the Artesian bank loan during 2023), plus an annual charge of £1.7m, and receive an annual income based on increases in RPI applied to a capital value of £131.7m. As noted above, the swap does not qualify for hedge accounting.

The fair value of the swaps at the year end date have been determined on valuations based on expected future discounted cashflows, and available market information, including CPI and RPI inflation forecasts across the terms of Artesian loan and the swap arrangements. The valuation is also supported by valuations provided by the counter-parties (ING Bank and Lloyds Bank) at the year end date.

The following table indicates the periods in which the cash flows associated with swaps are expected to occur:

	Carrying amount (£000)	Expected cashflows < 1 year (£000)	Expected cashflows 1-2 years (£000)	Expected cashflows 2-5 years (£000)	Expected cashflows > 5 years (£000)	Expected cashflows Total (£000)
<b>Interest Rate swaps (Hedge accounting applied)</b>						
31 March 2025	1,171	39	509	735	-	1,283
31 March 2024	380	-	27	403	-	430
<b>RPI-CPI swap (Hedge accounting not applied)</b>						
31 March 2025	(603)	(618)	320	107	(531)	(722)
31 March 2024	(1,852)	(449)	(72)	(668)	(1,054)	(2,243)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

## 21. Financial instruments

The Company has financial instruments in the form of investments, cash and cash equivalents, intra-group loans, third party loans, finance leases and financial derivatives.

The carrying values of the Company’s financial assets and liabilities are summarised by category below:

	2025 £000	2024 £000
<b>Financial assets:</b>		
Current asset investment (note 13)	2	90,002
Financial derivative assets (note 14 / note 20)	1,171	380
Cash and cash equivalents (note 15)	50,775	25,959
	51,948	116,341

	2025 £000	2024 £000
<b>Financial liabilities (note 16 &amp; 17):</b>		
Bank RPI Artesian loan	147,416	142,285
Intra-group subordinated loan	30,000	20,623
CPI Bond	80,340	78,026
Finance leases	1,070	1,041
Financial derivatives	603	1,852
Deferred finance arrangement costs	(5,410)	(6,804)
Debenture stock	283	283
	254,302	237,306

The Company’s financial liabilities are further analysed between fixed and floating rates of interest as follows:

	Fixed Rate 2025 £000	Fixed Rate 2024 £000	Floating Rate 2025 £000	Floating Rate 2024 £000	Total 2025 £000	Total 2024 £000
<b>Liabilities</b>						
Bank RPI Artesian loan	147,416	142,285	-	-	147,416	142,285
Intra-group subordinated creditor	30,000	20,623	-	-	30,000	20,623
CPI Bond	80,340	78,026	-	-	80,340	78,026
Deferred finance arrangement costs	-	-	(5,410)	(6,804)	(5,410)	(6,804)
Finance lease	-	-	1,070	1,041	1,070	1,041
Financial derivative liabilities	-	-	603	1,852	603	1,852
Debenture stock	283	283	-	-	283	283
	258,039	241,217	(3,737)	(3,911)	254,302	237,306

Fixed Rate	Weighted average interest rate % 2025	Weighted average interest rate % 2024	Weighted average period fixed Years 2025	Weighted average period fixed Years 2024
<b>Sterling</b>				
Bank RPI Artesian loan	3.6	3.6	7	8
CPI Bond	2.6	2.6	12	13
Intra-group subordinated loan	5.0	3.0	0	1
	3.2	3.0	8	9

Interest on the floating rate financial liabilities are based on Sterling Overnight Index Average rates (‘SONIA’).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

## 21. Financial instruments (continued)

The maturity of the financial liabilities are detailed below:

	2025 £000	2024 £000
In one year or less	29,574	19,730
In one to five years	(3,570)	(3,739)
In over 5 years	228,299	221,315
	254,302	237,306

The Company had undrawn borrowing facilities at 31 March 2024, in respect of which all conditions precedent had been met, as follows:

	2025 £000	2024 £000
Expiring within one year	15,000	24,377
Expiring between one and two years	-	-
Expiring between two and five years	205,000	15,000
Expiring in over 5 years	-	205,000
	220,000	244,377

The carrying amounts of the financial assets and liabilities shown above approximate to their fair value.

## 22. Called up share capital

	2025 £000	2024 £000
<b>Authorised:</b>		
<b>Equity</b>		
6,000,000 Ordinary Shares of 10p each (2024: 6,000,000)	600	600
810,500,000 ‘A’ Ordinary Shares of 10p each (2024: 810,500,000)	81,050	81,050
	81,650	81,650
<b>Non-equity</b>		
3,250,000 Redeemable Preference Shares of £1 each (2024: 3,250,000)	3,250	3,250
Total	84,900	84,900

Allotted, called up and fully paid:

	427	427
<b>Equity</b>		
4,265,197 Ordinary Shares of 10p each (2024: 4,265,197)		
806,509,162 ‘A’ Ordinary Shares of 10 p each (2024: 806,509,162)	80,651	80,651
	81,078	81,078

The ordinary and ‘A’ ordinary shareholders are entitled to receive dividends pari passu according to the amount paid up or credited as paid up on their shares. The Ordinary Shares are the only class of share to carry voting rights. In a distribution on the winding up of the Company, the Ordinary and ‘A’ Ordinary shareholders are entitled to share the balance of any surplus assets pari passu according to the amount paid up or credited as paid up on their shares.

During July 2023, the company issued a 600,000,000 new ‘A’ ordinary shares for a cash consideration of £60.0m.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

## 23. Notes to the Statement of Cash Flows

<b>Cash generated from operations</b>	<b>2025 £000</b>	2024 £000
<b>Profit/(loss) for the year before taxation</b>	<b>1,705</b>	(4,348)
<b>Adjustments for:</b>		
Finance costs recognised in income statement	<b>8,685</b>	18,745
Investment and Other Finance income recognised in income statement	<b>(4,056)</b>	(6,265)
Exceptional items	<b>337</b>	31
Notional pension costs	<b>505</b>	364
Loss on disposal of tangible fixed assets and investment properties	<b>26</b>	-
Depreciation and amortisation of tangible and intangible fixed assets	<b>6,882</b>	6,322
Amortisation of deferred capital contributions	<b>(749)</b>	(1,048)
<b>Movements in working capital:</b>		
Stock (increase)/decrease	<b>6</b>	83
Debtors (increase)/decrease	<b>(4,299)</b>	(5,694)
Creditors increase/(decrease)	<b>1,389</b>	4,509
<b>Cash generated from operations</b>	<b>10,431</b>	12,699

### Reconciliation of Net Debt

	At 1 April 2024 £000	Cash flow movement £000	Non- cash flow movement £000	At 31 March 2025 £000
<b>Financial assets</b>				
Current asset investments – short term deposits	90,000	<b>(90,000)</b>	-	-
Financial derivative assets	380	-	<b>791</b>	<b>1,171</b>
Cash at bank and cash equivalents	25,959	<b>24,816</b>	-	<b>50,775</b>
	116,339	<b>(65,184)</b>	<b>791</b>	<b>51,946</b>
<b>Financial liabilities</b>				
RPI Artesian loan	(142,285)	-	<b>(5,131)</b>	<b>(147,416)</b>
CPI Bond	(78,026)	-	<b>(2,314)</b>	<b>(80,340)</b>
Intra-group subordinated loan	(20,623)	<b>(9,377)</b>	-	<b>(30,000)</b>
Finance lease	(1,041)	<b>66</b>	<b>(95)</b>	<b>(1,070)</b>
Financial derivative liabilities	(1,852)	-	<b>1,249</b>	<b>(603)</b>
Debenture stock	(283)	-	-	<b>(283)</b>
	(244,110)	<b>(9,311)</b>	<b>(6,291)</b>	<b>(259,712)</b>
<b>Net Debt</b>	(127,771)	<b>(74,495)</b>	<b>(5,500)</b>	<b>(207,766)</b>

### Reconciliation of Net Debt

	At 1 April 2023 £000	Cash flow movement £000	Non- cash flow movement £000	At 31 March 2024 £000
<b>Financial assets</b>				
Current asset investments – short term deposits	-	90,000	-	90,000
Financial derivative assets	-	-	380	380
Cash at bank and cash equivalents	54,073	(28,114)	-	25,959
	54,073	61,886	380	116,339
<b>Financial liabilities</b>				
RPI Artesian loan	(130,940)	-	(11,345)	(142,285)
CPI Bond	(75,000)	-	(3,026)	(78,026)
Intra-group subordinated loan	(20,623)	-	-	(20,623)
Finance lease	-	314	(1,355)	(1,041)
Financial derivative liabilities	-	-	(1,852)	(1,852)
Debenture stock	(283)	-	-	(283)
	(226,846)	314	(17,578)	(244,110)
<b>Net Debt</b>	(172,773)	62,200	(17,198)	(127,771)

Non-cash flow movements noted above primarily relate to loan indexation charges, new leases and valuations of financial derivatives.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

## 24. Pensions

The company is the principal employer and its parent company, Brockhampton Holdings Limited, is the participating employer in the Brockhampton Pension Scheme. This scheme provides defined benefits based primarily on the historic pensionable earnings of employees of the company. The assets of the scheme are held in a separate trustee administered fund.

During 2019 the Brockhampton Pension Scheme Trustees (‘the Trustees’) entered into a ‘Buy-In’ arrangement with Just Retirement Limited. This buy-in arrangement covered the majority of the current pensioner liabilities, at that time, and significantly reduced the risk within the Scheme relating to future payments due to these pensioners.

During the year to 31 March 2023, agreement was reached with the remaining active employee members of the pension scheme to close the scheme to the future accrual of benefits for active members with effect from 31 March 2023. These active members became members of the existing company defined contribution pension scheme, with effect from 1 April 2023, and receive enhanced contributions from the company for a number of years from 1 April 2023. The closure of the Brockhampton pension scheme to future accrual has also significantly reduced the ongoing risks to the company and the wider group. Future contributions payable by the company after 1 April 2023 ceased, and are not expected to be required in future, based on the current funding surplus in the scheme.

As a result, it is no longer considered appropriate, in line with the requirements of FRS102, to recognize any calculated net pension surplus in the statement of Financial Position of the company.

During the year to 31 March 2025, consideration has been given by the Trustees to entering into a further ‘Buy-In’ arrangement, which would cover the remaining pensioners and deferred pensioners. No final agreement has yet been reached, but it is anticipated that this new ‘Buy-In’ arrangement will be completed during the year to 31 March 2026. The costs associated with this further buy-in that have been incurred in the year have been recorded as exceptional expenditure in the analysis of the amounts charged to the Income Statement.

The Trustees have also considered the risks associated with the Virgin Media legal case, relating to the appropriate documentation of historic amendments to defined benefit pension scheme rules that could impact benefits payable by a scheme. In summary, the Trustees, having taken appropriate legal advice, have concluded the risks from this legal ruling relating to benefits payable by the Brockhampton Pension Scheme were low. Brockhampton Pension Scheme were low. Accordingly no amendment to the pension scheme liability calculations for the year to 31 March 2025 were made. This position has been confirmed by the recent announcement (in early June 2025) from the Department of Work & Pensions that the UK Government will introduce legislation to give any pension schemes affected the ability to retrospectively obtain the required written actuarial confirmations.

The latest full triennial actuarial valuation for the scheme was carried out as at 31 March 2024. This has been updated to 31 March 2025 accounting date by an independent qualified actuary in accordance with FRS 102. The value of the defined benefit liabilities has been measured using the projected unit method.

As noted above, the estimated contributions expected to be paid to the scheme by Portsmouth Water Limited for the year to 31 March 2026, commencing 1 April 2025, is £NIL (2025 actual - £NIL). In periods prior to 1 April 2023, contributions paid by the company were based on agreed contribution rates of 35.9% of employee earnings. Employees paid contributions at a rate of 5% of earnings, via a salary sacrifice mechanism.

The company also operates a defined contribution pension scheme. Contributions payable by the company in the year to 31 March 2025 were £2.1m (2024: £1.8m)

The key FRS 102 assumptions used for the scheme valuation were as follows:

	<b>2025</b>	2024	2023
	<b>% per annum</b>	% per annum	% per annum
RPI inflation	<b>3.1</b>	3.2	3.3
CPI inflation	<b>2.7</b>	2.7	2.9
Discount Rate	<b>5.7</b>	4.8	4.7
Pension increases	<b>2.7</b>	2.7	2.9
Salary growth	<b>n/a</b>	n/a	3.0

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

24. Pensions (continued)

Assumption	31 March 2025	31 March 2024	Comments on assumptions
RPI inflation	3.1% pa	3.2% pa	<ul style="list-style-type: none"><li>The assumption for future RPI inflation is derived from the breakeven measure implied by the difference between nominal yields on fixed interest gilts and real yields on RPI linked gilts. The single equivalent breakeven inflation rate, weighted by Scheme cash flows, is 3.4% pa (2024: 3.5% pa).</li><li>Consistent with the approach taken last year, a deduction of 0.3% pa has been applied to allow for an assumed inflation risk premium.</li></ul>
CPI inflation	2.7% pa	2.7% pa	<ul style="list-style-type: none"><li>As an approximation to reflect the differences pre/post 2030 from the upcoming 2030 RPI reform, a reduction of 0.4% pa (2024: 0.5% pa) has been applied in calculating the CPI inflation rate.</li><li>This reflects the average expected reduction in RPI - CPI gap, giving broadly equivalent results to a stepped gap of 0.9% / 0.2% pa pre/post 2030</li></ul>
Discount rate	5.7% pa	4.8% pa	<ul style="list-style-type: none"><li>Discount rate is set based on yields of high quality corporate bonds at the year end date, and a yield curve is constructed from this. To derive the discount rate, the yield curve is weighted according to the expected scheme cash flows, which have an average duration of about 12 years (2024: 13 years)</li><li>Bonds are included in the data set if they are classified as ‘AA’ and ‘Corporate’, as rated by either Fitch, Moodys or Standard &amp; Poors. A yield curve is fitted to the data using least squares optimization techniques and is extrapolated beyond 30 years in line with the gilt yield curve, and a single discount rate is calculated from this.</li></ul>

Life expectancy of a male aged 65 at 31 March 2025 is 21.0 years (2024: 21.6 years) and for a female is 23.6 years (2024: 24.2years).

Life expectancy of a male aged 65 years at 31 March 2045 (ie. 20 years after the accounting date) is 22.3 years (2024: 22.9 years) and for a female is 25.0 years (2024: 25.5 years).

The assumption for future improvements to mortality is made via the CMI’s mortality projections model, which is published each year. The model is fitted to the mortality experience of the general population of England & Wales, and requires various parameters to be set. The projections model has been updated from 31 March 2024 year end to use a more recent model, CMI2023, continuing with the previous core approach to the smoothing factor and initial improvement addition.

The CMI2023 projections model also includes a weighting (or ‘w’) parameter, referred to as w2023, in addition to retaining the similar w2020, w2021 and w2022 parameters introduced in CMI 2021. These parameters are used to vary the weight that is placed on the nation’s mortality experience for 2020 to 2023 to avoid the unusually high mortality experience due to the COVID-19 pandemic, skewing the projections. The default ‘core’ model places no weight on the data for 2020 and 2021, and 20% on the data for 2022 and 2023.

It is evident that there has continued to be repercussions for the nation’s health due to the COVID-19 pandemic. In addition to deaths directly associated with COVID-19, we have seen delayed diagnoses of chronic conditions, disrupted treatment within the health care system and more deaths at home, as opposed to in hospitals and care homes. This is expected to have implications for mortality experience for future waves of the pandemic. In our view, these factors point to a strong likelihood of increased mortality rates for a number of years, given the wider indirect impacts of the pandemic on the nation’s general health, habits and the pressures on the healthcare system.

While the longer-term impact of COVID-19 is still uncertain, we have adopted a modest reduction in life expectancies due to the future direct and indirect effects of the pandemic, as reflected by the mortality assumptions set out above.

As an indication of the sensitivity of the results to changes in the key assumptions used at 31 March 2025:

- A decrease in the discount rate of 0.1% per annum and 0.5% per annum would increase the defined benefit obligation by around £0.9m and £4.7m respectively.
- An increase in the CPI inflation rate of 0.1% per annum and 0.5% per annum would increase the defined benefit obligation by around £0.8m and £4.1m respectively.
- A one year increase in life expectancies would increase the defined benefit obligation by around £2.7m.
- A 5% fall in performance asset values would reduce the scheme assets by around £0.1m.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

24. Pensions (continued)

The fair value of assets in the scheme, a breakdown of the assets into the main asset classes, the present value of the FRS 102 defined benefit obligation and the surplus of assets over the FRS 102 defined benefit obligation (which equals the gross pension asset) are set out below:

	%	2025 Fair Value £000	%	2024 Fair Value £000	%	2023 Fair Value £000
Equities	-	-	-	-	-	-
Leveraged Liability Driven Investments	3	3,265	20	23,622	19	23,679
Unleveraged index-linked gilt LDIs	41	40,966	23	26,304	22	27,941
Property fund	1	1,244	3	4,062	5	5,988
Credit fund	9	9,307	8	8,818	6	8,274
Cash and other	2	1,362	2	2,480	6	8,270
Buy-in policy	44	44,071	44	51,854	42	53,593
	100	100,215	100	117,140	100	127,745

With the exception of cash, assets consist of pooled investment funds which are not quoted on an active market, shown by category in the table above. The above include assets amounting to £1.244m (2024: £4.062m) classified as level 3 financial assets. These are considered to be the least liquid and hardest to value, and are therefore subject to a higher degree of estimation.

Experienced gains and losses are differences between the actual events as they have turned out and the assumptions that they were made as at the date of the earlier actuarial valuation and changes in the actuarial assumption during the year. Experience gains and losses are differences between the actual events as they have turned out and the assumptions that they were made as at the date of the earlier actuarial valuation and changes in the actuarial assumptions during the year.

RPI and CPI inflation has been trending significantly above expected long term levels during the three year period to 31 March 2025. The period of volatile market conditions may have had an impact on the investment asset allocation, hedging strategy and funding level going forward. However the pension scheme assets and the overall pension funding position has limited exposure to market volatility, given the risk mitigation policies put in place in recent years, including the purchase of the 2019 buy-in insurance policy for pensioner liabilities and the reallocation of investments held away from potentially more volatile equity investments. This risk will be further reduced by the additional planned buy-in insurance policy that the Trustees expect to complete during the year to 31 March 2026.

Method of valuation

The pension benefits payable are valued using the projected unit method at the trustees’ funding valuation date of 31 March 2024. In line with industry practice and the approach taken in previous years, the liabilities are then estimated by rolling forward the 31 March 2024 results to the current year-end date. This roll-forward allows for changes in market conditions, changes in demographic assumptions and certain experience adjustments – including inflation and benefits paid out, and the cessation to future benefit accrual for employees effective from 1 April 2023.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

24. Pensions (continued)

Pension asset recognised at year end date

	2025 £000	2024 £000
Total fair value of scheme assets	100,215	117,140
FRS 102 value of scheme defined benefit obligation	(79,714)	(94,121)
Impact of asset ceiling	(20,501)	(23,019)
Pension asset	-	-
Related deferred tax liability	-	-
<b>Net pension asset recognised</b>	-	-

Under FRS 102, the scheme is represented on the statement of financial position at 31 March 2025 by an asset of £Nil (2024: £NIL).  
Deferred tax relating to the pension asset is off-set directly against the net pension asset balance, as permitted by FRS102, rather than being shown as part of the company's overall deferred tax liabilities.

Movement in the net balance sheet position

	2025 £000	2024 £000
Opening asset	-	-
Expense charged to profit and loss	(818)	(364)
Gain/(loss) recognised outside of profit and loss	818	364
Employer contributions	-	-
Closing asset	-	-

Movement in present value of defined benefit obligation

	2025 £000	2024 £000
Opening scheme liabilities	94,121	98,853
Employer's part of current service cost	818	364
Interest on scheme liabilities	4,362	4,506
Benefits paid and running costs	(6,587)	(6,037)
Actuarial loss/(gain)	(13,000)	(3,565)
Closing scheme defined benefit obligation	79,714	94,121

Movement in fair value of scheme assets

	2025 £000	2024 £000
Opening fair value of scheme assets	117,140	127,745
Interest on scheme assets	5,467	5,864
Contributions by Portsmouth Water Limited, including employee contributions	-	-
Benefits paid and running costs	(6,587)	(6,037)
Actual return on scheme assets less interest on scheme assets	(15,805)	(10,432)
Closing fair value of scheme assets	100,215	117,140

Movement in the impact of the asset ceiling

	2025 £000	2024 £000
Effect of asset ceiling at the start of the year	23,019	28,892
Interest on asset limit	1,105	1,358
Change in asset limit other than interest	(3,623)	(7,231)
Effect of asset ceiling at the end of the year	20,501	23,019

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

24. Pensions (continued)

Expense recognised in income statement

	2025 £000	2024 £000
The following amounts have been included within operating profit:		
Current service cost (employer's part only, including normal scheme running costs )	(505)	(364)
Total operating charge	(505)	(364)
The following amounts have been included within exceptional charges in the year:		
Pension advisory and related fees relating to changes to the scheme	(313)	-
Other costs and fees relating to closure of the pension scheme to future accrual	(24)	(31)
Total exceptional charge	(337)	(31)
The following amounts have been included as other finance income under FRS 102:		
Interest on pension scheme assets	5,467	5,864
Interest on asset limit	(1,105)	(1,358)
Interest on pension scheme defined benefit obligation	(4,362)	(4,506)
Total other finance income	-	-
Total expense recognised in the income statement	(842)	(395)

Amounts recognised outside income statement

	2025 £000	2024 £000
The following amounts have been recognised within the statement of changes in equity:		
Actual return on assets less interest	(15,805)	(10,432)
Experience gains /(losses) arising on scheme defined benefit obligation	1,999	(553)
Gain/(loss) due to changes in assumptions	11,001	4,118
Change in asset limit other than interest	3,623	7,231
Remeasurement gain / (loss) on net defined benefit asset	818	364

## 25. Lease commitments

At the reporting date the Company had no disclosable commitments under non-cancellable operating leases.

In 2023 the Company entered into a long term (80 year) lease arrangement for the rental of 80 hectares of farm land relating to the Havant Thicket Reservoir project. The farm land will be used for environmental related projects, including rewilding and the planting of new trees. The lease commenced in July 2023, and meets the requirements of a finance lease. The lease arrangement included an upfront lease premium payment, and annual rental payments over the life of the lease arrangement. The annual rental payments are subject to inflationary increases each year, linked to CPI.

The related net finance lease liability at 31 March 2025 is £1,070k (2024: £1,041k), of which £66k (2024: £64k) is due in less than one year, and £1,004k (2024:£977k) is due after more than one year.

The minimum lease payments under the lease fall due in future periods are as follows:

	2025 £000	2024 £000
Amounts falling due within 1 year	66	64
Amounts falling due between 1-5 years	263	256
Amounts falling due in over 5 years	4,801	4,734
Total minimum lease payments	5,130	5,054
Less: finance charges relating to future periods	(4,060)	(4,013)
Net finance lease liability	1,070	1,041

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2025

## 26. Capital commitments

	2025 £000	2024 £000
Relating to fixed assets	337,600	265,800

Of the capital commitments noted above, £272.2m (2024: £259.5m) is attributable to the Havant Thicket Reservoir (‘HTR’) project. During the year to 31 March 2023, approval of the HTR construction budget expenditure of up to £339m (based on 2021 prices) was received from Ofwat, the Water Industry Regulator. Based on inflation increases to 2025, this budget has now increased to £402m. This amount is considered to be the current commitment on the HTR project. Up to 31 March 2025, and excluding capitalised borrowing costs, £129.6m (2024: £79.5m) of this approved budget amount had been incurred as capital expenditure on the project, as set out in Note 12.

Contracts relating to the construction of the HTR have been placed with major sub-contractors with a total value of £246m as at 31 March 2025 (2024 - £209m).

### 27. Ultimate controlling party

The Company’s intermediate parent company in the UK is Ancala Fornia Holdco Limited (‘AFHL’). In September 2019, the Company’s ultimate controlling party, Ancala Partners LLP (‘Ancala’), incorporated Southern Region Water Holding Limited (‘SRWHL’) in Hong Kong and transferred 100% of the investment held in AFHL to SRWHL. As part of a reorganisation of its investment portfolio, Ancala incorporated Ancala Fornia Topco Pte Limited (‘AFTPL’) in Singapore, and in July 2023 transferred the ownership of AFHL from SRWHL to AFTPL. Procedures to liquidate SRWHL have commenced.

The group structure is set out on page 105.

We consider AFTPL to be the ultimate holding company at 31 March 2025 (2024: AFPTL), and the ultimate controlling party to be Ancala Partners LLP. Consolidated group financial statements for the year ended 31 March 2025 will be prepared by AFTPL ( the largest group for which consolidated financial statements are prepared) and by AFHL (the smallest group for which consolidated financial statements are prepared).

## 28. Related Party Transactions

The Brockhampton Pension Scheme, the scheme for which the company is the principal employer, is considered to be a related party to the company. Transactions between these two parties are set out in note 24.

The Company has taken advantage of the exemption available in FRS 102 ‘Related Party Disclosures’ whereby it has not disclosed transactions with any wholly owned subsidiary undertaking of the wider Ancala Fornia Topco Pte Limited group. Related undertakings are set out in the group structure on page 105 and have the same registered office as stated on page 135, with the exception of AFTPL, which has a registered office at 9 Straits View, #06-07 Marina One West Tower, 018937, Singapore.

## 29. Post Balance Sheet Events

There are considered to be no events which occurred after 31 March 2025 that need to be disclosed in line with the FRS102 requirements.

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# NOTICE OF MEETING

**Notice is hereby given that the Annual General Meeting of Portsmouth Water Limited will be held at the Company’s Registered Office, Brockhampton Springs, West Street, Havant, Hants, at 11.00am on 22 July 2025, on the following business:**

- 1.To receive and consider the Directors’ Report and Accounts for the year ended 31 March 2025 and the Auditors’ Report thereon.
2. To approve the Remuneration Policy.
3. To approve the Report on Remuneration.
4. To re-elect Mrs. S. Darcy a Director of the Company.
5. To re-elect Mr. C. Deacon a Director of the Company.
6. To re-elect Mr. C. R. Taylor a Director of the Company.
7. To re-elect Mr. C. Loughlin a Director of the Company.
8. To re-elect Dr. L. Stoimenova a Director of the Company.
9. To re-elect Mr. J. C. Milner a Director of the Company.
- 10.To reappoint KPMG LLP as Company Auditors and to authorise the Directors to fix their remuneration.

**Registered Office**  
**Brockhampton Springs**  
**West Street Havant**  
**Hampshire PO9 1LG**

**By order of the Board**  
**C. Hardyman ACIS**

27 June 2025

**Secretary**

- Notes:**
- i) Debenture holders are reminded that the holding of debenture stock does not entitle them to attend or vote at the meeting.
- ii) Shareholders are reminded that no voting rights attach to the ‘A’ Ordinary Shares. ‘A’ Ordinary Shareholders are not entitled to attend the meeting.
- iii) A proxy form is enclosed for Shareholders entitled to vote at the meeting.
- iv) To be valid proxies must reach the Company’s Registered Office not later than forty-eight hours before the time fixed for the meeting.

# APPENDIX 1 - KPI CALCULATIONS

a) Gearing - Net Debt: RCV - as defined by Ofwat (pre-CAM agreement relating to HTR).

Debt	2025 £000	2024 £000
Bank RPI Artesian loan (note 17)	147,416	142,285
Intra-group subordinated loan (note 16)	30,000	20,623
CPI bond (note 17)	80,340	78,026
Finance lease liability (note 25)	1,070	1,041
Net SWAP financial instruments (note 20)	(568)	1,471
Debenture stock (note 17)	283	283
Short term investment deposits	-	(90,000)
Cash at bank and cash equivalents (note 15)	(50,775)	(25,959)
Net debt	207,766	127,770
(ii) Regulatory capital value indexed to 31 March	307,756	255,676
(iii) Gearing - Debt: RCV ratio (i) ÷ (ii)	67.5%	50.0%

a) Gearing - Net Debt: RCV - as defined by Ofwat (post-CAM agreement relating to HTR).

Debt	2025 £000	2024 £000
Bank RPI Artesian loan (note 17)	147,416	142,285
Intra-group subordinated loan (note 16)	30,000	20,623
CPI bond (note 17)	80,340	78,026
Finance lease liability (note 25)	1,070	1,041
Net SWAP financial instruments (note 20)	(568)	1,471
Debenture stock (note 17)	283	283
Short term investment deposits	-	(90,000)
Cash at bank and cash equivalents (note 15)	(50,775)	(25,959)
Net debt	207,766	127,770
(ii) Regulatory capital value indexed to 31 March	546,775	330,507
(iii) Gearing - Debt: RCV ratio (i) ÷ (ii)	38.0%	38.7%

Deferred finance arrangement costs of £5.4m (2024: £6.8m) are excluded from the above calculations.  
Current asset investments of £2k (2024: £2k) are also excluded from the value of debt in this ratio.

b) Gearing - Net Debt: RCV - as defined for banking covenant purposes (pre-CAM agreement relating to HTR).

Debt	2025 £000	2024 £000
Bank RPI Artesian loan (note 17)	147,416	142,285
CPI bond (note 17)	80,340	78,026
Finance lease liability (note 25)	1,070	1,041
Net SWAP financial instruments (note 20)	(568)	1,471
Debenture stock (note 17)	283	283
Short term investment deposits	-	(90,000)
Cash at bank and cash equivalents (note 15)	(50,775)	(25,959)
Net debt	177,766	107,147
(ii) Regulatory capital value indexed to 31 March	307,756	255,676
(iii) Gearing - Debt: RCV ratio (i) ÷ (ii)	57.8%	41.9%

b) Gearing - Net Debt: RCV - as defined for banking covenant purposes (post-CAM agreement relating to HTR)

Debt	2025 £000	2024 £000
Bank RPI Artesian loan (note 17)	147,416	142,285
CPI bond (note 17)	80,340	78,026
Finance lease liability (note 25)	1,070	1,041
Net SWAP financial instruments (note 20)	(568)	1,471
Debenture stock (note 17)	283	283
Short term investment deposits	-	(90,000)
Cash at bank and cash equivalents (note 15)	(50,775)	(25,959)
(i) Net debt	177,766	107,147
(ii) Regulatory capital value indexed to 31 March	546,775	330,507
(iii) Gearing - Debt: RCV ratio (i) ÷ (ii)	32.5%	32.4%

Deferred finance arrangement costs of £5.4m (2024: £6.8m) are excluded from the above calculations.  
Current asset investments of £2k (2024: £2k) are also excluded from the value of debt in this ratio.

c) Cash interest cover

Debt	2025 £000	2024 £000
Operating profit before profit/(loss) on disposal of fixed assets and exceptional items	6,697	8,163
Amortisation of deferred capital contributions on disposal of fixed assets (below operating profit)	(749)	(1,048)
Depreciation and amortisation charges	6,882	6,322
Interest income received	6,181	5,814
Capital expenditure (net of fixed asset disposal proceeds and capital contributions received)	(77,755)	(60,563)
Net drawings from Proceeds Account (to fund capital expenditure *)	73,527	54,700
(i) Adjusted earnings	14,783	13,388
(ii) Interest paid	10,195	9,206
(iii) Cash interest cover ratio (i) ÷ (ii)	1.45	1.45
Cash interest cover Target ratio	1.40	1.40

The Proceeds Account funds available are in excess of the amounts required to fund capital expenditure.

Movements on the Proceeds Account in the year:

	2025 £000	2024 £000
Balance at 1 April 2024 / 2023	96,020	35,236
Third party loan funds received/(repaid)	-	-
Inter-group loan funds received	9,377	55,484
Share capital funds received	-	60,000
Funds drawn down for capital expenditure in year	(73,527)	(54,700)
Balance at 31 March 2025 / 2024	31,870	96,020

# APPENDIX 1 - KPI CALCULATIONS

d) Return on regulatory equity (RoRE*)	2025 £000	2024 £000
Revenue	49,596	47,919
HTR capacity charges earned	2,638	1,696
ODI reward/(penalty) earned	(842)	(1,096)
Operating costs, excluding depreciation and amortisation and exceptional items	(36,017)	(33,434)
Regulatory depreciation (run off rate)	(8,653)	(7,984)
Infrastructure depreciation	(1,290)	(1,218)
Adjusted earnings before interest and tax	5,432	5,883
Current tax credit	-	14
Interest payable, excluding indexation and amortisation	(10,195)	(9,206)
(i) Return	(4,763)	(3,309)
(ii) Average Regulatory Capital Value, equity element only (adjusted gearing)	246,091	87,775
(iii) Return on regulatory equity (i) ÷ (ii)	-1.94%	-3.77%

\*RoRE has been calculated excluding exceptional items as set out on the face of the Income Statement and based on adjusted gearing, as set out above, in order to be comparable with prior periods.

e) Earnings before interest, tax, depreciation and amortisation ('EBITDA')	2025 £000	2024 £000
Operating profit before loss on disposal of fixed assets and exceptional items	6,697	8,163
Depreciation	6,419	6,198
Amortisation	463	124
EBITDA	13,579	14,485

Our priorities:

**Secure and deliver water supplies which are high quality, reliable and sustainable**

**Work in partnership with our customers, communities and stakeholders**

**Invest in the future to meet growing environmental challenges**

**Achieve affordable water for all. Always.**

