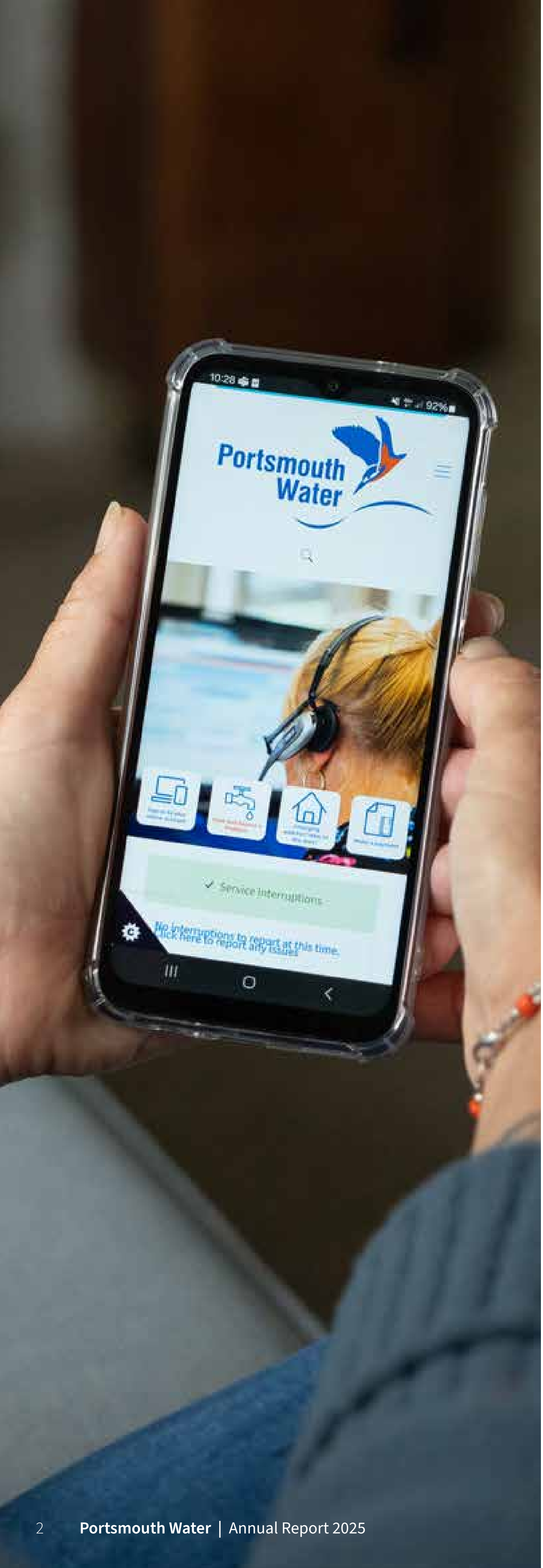
Portsmouth Water

CARING FOR OUR ENVIRONMENT

Annual Performance Report 2025

portsmouthwater.co.uk


10:28
92%
Portsmouth
Water
Service interruptions
No interruptions to report at this time.
Click here to report any issues

CONTENTS

INTRODUCTION

Portsmouth Water Limited is a water supplier operating under an Instrument of Appointment granted by the Secretary of State for the Environment under the Water Industry Act 1991.

In accordance with the requirements of the Company's licence conditions and Ofwat guidance the Company both operates and prepares its statutory Annual Report and Accounts (ARA) having regard to the requirements of the Disclosure and Transparency Rules and the relevant elements of the UK Corporate Governance Code.

This Annual Performance Report (APR) has been prepared in accordance with the requirements of Regulatory Accounting Guidelines published by Ofwat.

The Company does not prepare a combined document covering both ARA and APR but, as permitted and where appropriate, cross references to the published ARA. Copies of the ARA can be obtained from the Company's website at www.portsmouthwater.co.uk.

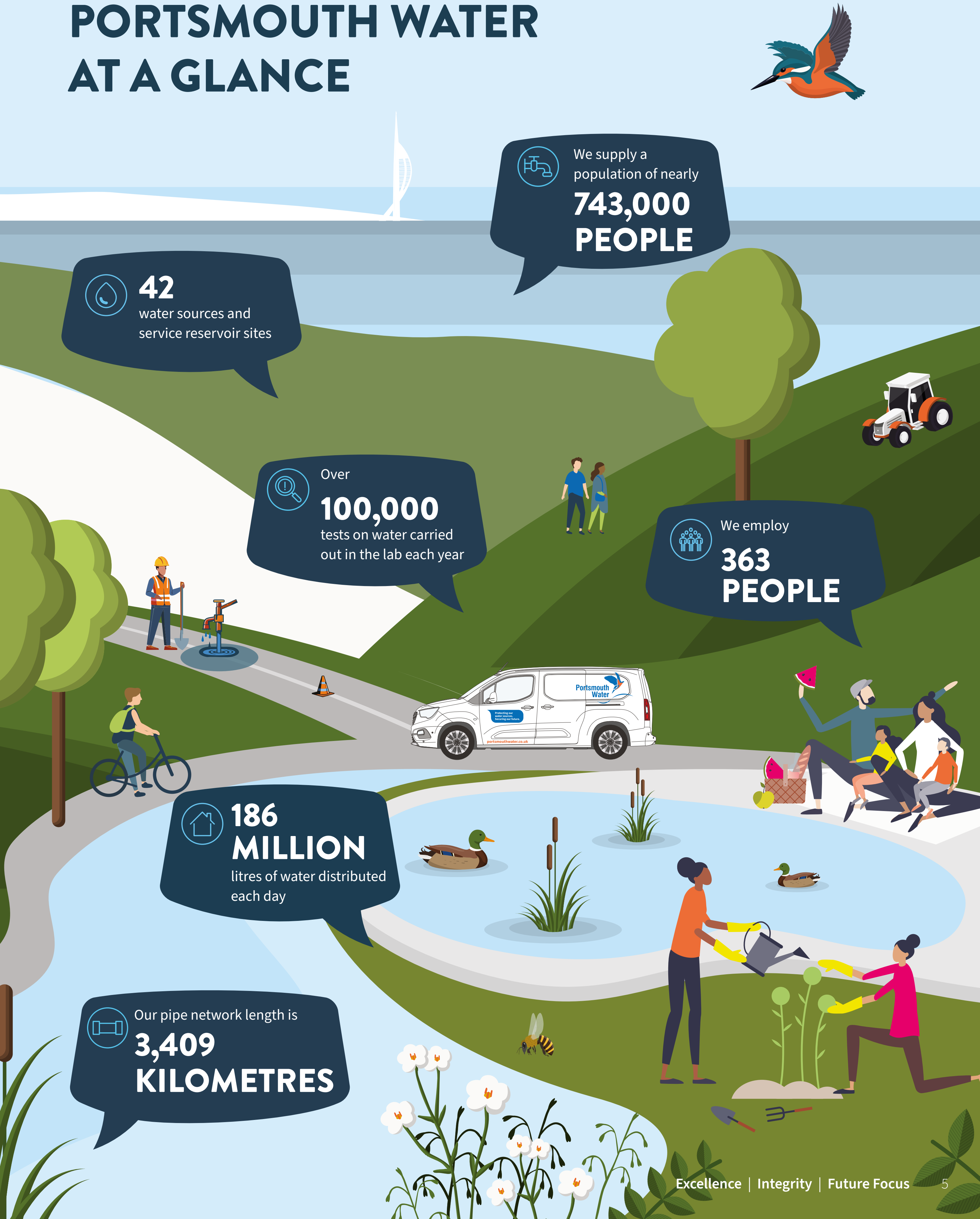
Registered Office

Brockhampton Springs
West Street
Havant
Hampshire
PO9 1LG

Company Number

2536455

PORTSMOUTH WATER AT A GLANCE



We supply a population of nearly
743,000 PEOPLE

42
water sources and service reservoir sites

Over
100,000
tests on water carried out in the lab each year

We employ
363 PEOPLE

186 MILLION
litres of water distributed each day

Our pipe network length is
3,409 KILOMETRES

FOREWORD FROM BOB TAYLOR, CEO

I am delighted to be able to present Portsmouth Water's Annual Performance Report for 2024-25.

2024-25 has been a pivotal year in the long history of Portsmouth Water. Over the last twelve months we have published our final Water Resources Management Plan, following approval from the Secretary of State, agreed with Ofwat our business plan for 2025-2030, which will see a huge increase in investment, and begun the main construction phase of the Havant Thicket Reservoir, the first to be built in a generation. At the same time, we have continued to deliver excellent service to our customers, including the best performance in the sector on interruptions, excellence in water quality and continued reductions in leakage.

In February 2025, following careful analysis, we announced our decision to accept Ofwat's final determination of our business plan. This followed an intense period of engagement with Ofwat on its draft determination, published in July 2024, which was not one that we could have accepted.

I was proud of the plan that we submitted in October 2023, which was based on a detailed understanding of our customers, and the needs of our local environment. It was pleasing therefore that, based on the additional evidence we provided over the summer of 2024, Ofwat has now broadly endorsed our plan. While Ofwat has challenged us to deliver some of our enhancement projects for less money, our continued efficiency on day-to-day operations and maintenance was recognised – and indeed Ofwat provided additional funding as we were below their efficient benchmark.

Our plan will see us invest a total of £377m over five years, our largest ever programme and more than £100m higher than in the current five-year period. This investment will 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 being on schools and nurseries.
- Maintain leading levels of customer service – in person and online.

- Upgrade our technology sources for extra security and efficiency.
- Support wildlife on our sites and in our communities and reduce our carbon footprint.
- Maintain the lowest water bills in England and Wales and offer help to everyone having difficulties paying.

We will also substantially complete the main construction of the Havant Thicket Reservoir, the first major reservoir in a generation, over the period, with a view to the reservoir being operational from 2032.

Following the conclusion of the regulatory process, we must now focus on delivery of our ambitious plan for our customers and the environment.

To manage the transformation, last year we established eight strategic programmes under the auspices of our new Transformation Office to ensure we were ready to deliver from the start of AMP8. We have made excellent progress across the range of programmes over the last year, including:

- Letting of key supply contracts covering meter installation and network repairs, meter supply and meter data provision, non-infrastructure construction and professional services.
- Establishment of our Asset Management Directorate, with the appointment of an experienced senior management team and the expansion of our capital delivery team.
- Completion of the switchover of our billing system to the Kraken platform, developed by the Octopus Energy Group, which is a key enabler of our demand reduction programme. Portsmouth Water is the first company in the water sector to deploy the Kraken platform.
- Successful delivery of our smart meter pilots and development of our delivery programme – including a significant acceleration of our year one meter installation programme.
- Further development and embedding of the Copperleaf decision support tool, to enable us to more effectively prioritise investment, based on a holistic consideration of the benefits.

2025-26 promises more change as the Independent Water Commission, led by Sir Jon Cunliffe publishes its final recommendations in the Summer of 2025. The Commission was tasked with developing a set of reforms to help rebuild trust in the sector and its regulation. We have engaged actively with the Commission, emphasising in particular the benefits that smaller, regional companies that are rooted in their local communities, like Portsmouth Water, can bring. We also emphasised the need for changes in the way that strategic planning happens in the sector and how we better fund strategic regional and national infrastructure. We look forward to seeing Sir Jon's final recommendations and engaging with the Government and our regulators to ensure they are implemented in a way that delivers for our customers and the environment.

One of the benefits of being a small company is our ability to move quickly and innovate. Not only did we complete the transition of all our customers to the Kraken billing platform in just ten months, we also partnered with Kraken to establish The Water Lab, to develop and test new models, innovations and technology to improve our customers' experience and help them save water and save money.

While we have spent considerable time thinking about and planning for the future over the last year, it is vital that we do not lose focus on delivering the essential services that our customers and communities rely on every day. I am therefore pleased that it has been another year of excellent performance across a range of measures.

We continued to lead the sector in minimising the time that our customers are without water because of supply interruptions, with an average interruption time of 2 minutes and 1 second, compared with our Ofwat target of 5 minutes, and an average across the sector of 15 minutes in 2023-24. We know that losing supply is especially disruptive for our customers both at home and at work, which is why we are so focused on ensuring that we have a resilient network, and when things do go wrong, we fix the problems quickly.

I am also pleased that, following a disappointing outcome last year, we have recovered our position on the Drinking Water Inspectorate's service risk measure, CRI. Last year our score was impacted heavily by sample failures at one of our major supply works, and while these had no impact on the water received by our customers, they nonetheless were unacceptable and led to a penalty being paid under Ofwat's rules. We have now fully addressed the root cause of these failures, and our score for the year was 0.45, well below Ofwat's penalty threshold of 2.0.

Our industry ranking for C-MeX, Ofwat's measure of overall customer satisfaction, slipped from first place to fourth over the last year. While disappointing, this was a year of great change within our customer team as we switched over to our new billing platform, Kraken, and began our engagement with customers on their new smart meters. In those challenging circumstances, maintaining our position in the upper quartile of companies is a tribute to the hard work of our team. It also means that we have been in the upper quartile of all companies for C-MeX for every year of the current regulatory period.

For the third year running we did not meet our Ofwat leakage target, but we maintained the 12% reduction we reported in 2023-24. Ofwat's measurement basis is a three-year average, which means that a challenging year, such as the one we experienced in 2022-23, remains in the reported figures in subsequent years. On an annual basis our leakage was broadly flat, despite the concerted efforts of our teams to detect, locate and fix leaks in the shortest possible time. We continue to innovate in our approach - during the year we have successfully deployed innovative methods, including sniffer dogs and satellite technology, to help us detect leaks on our network more rapidly.

Demonstrating to our customers that we are 'doing our bit' on leakage is vital to support our mission to help our customers use less water. Our customers currently have the highest per person usage in the country, and it is fundamental to our future ability to balance supply and demand that we help them reduce this. This is the goal of our demand reduction programme, which is underpinned by the roll-out of smart meters for all customers from 2025. The scale of the challenge we face is underlined by the fact that, regrettably, we saw an increase in household consumption over the last twelve months, from 154 litres per person to 160 litres per person.

Our planned capital investment programme over the next five years represents a step change in delivery and over the last twelve months we have built up our asset management and capital delivery teams to ensure we can meet this challenge. This capability increase supported us in delivering our largest annual investment programme to date in 2024-25 at £16.5m. With a forecast capital investment programme of £45m in 2025-26 this gives us confidence in our ability to effectively ramp up our delivery organisation in a short space of time.

Most importantly we have done all of this safely with no reportable accidents over the last twelve months. The strength of our commitment to safety and wellbeing of our people is evidenced by the award of RoSPA's Gold Award for the twentieth consecutive year, earning us a place as the only water company to be presented with RoSPA's prestigious Order of Distinction.

Finally, Havant Thicket Reservoir took a huge step forward in the year, with the official ground breaking ceremony in September 2024. The ceremony, marking the start of the 'big build' phase, was attended by more than 70 guests including Ofwat Chair, Ian Coucher, Environment Agency Regional Director, Simon Moody, and Southern Water CEO, Lawrence Gosden, and marked the start of the 'big build' phase. We were also delighted to welcome Secretary of State for the Environment, Steve Reed MP, to the site in March 2025.

Portsmouth Water is proud to be delivering the first UK reservoir in more than 30 years. When completed it will play a vital role in delivering water security across the south east. Over the coming months we will be discussing with Ofwat the funding of the additional works that are planned to enable the reservoir to receive recycled water, as well as water from the Bedhampton and Havant Springs, meaning the reservoir becomes an always available source of supply for the region. To support delivery of the increased scope of the project, during the year we have strengthened the client and contractor leadership teams, with the introduction of three senior roles to oversee commercial, delivery, and stakeholder management aspects of the programme.

The contribution to the region also goes beyond protecting our precious water environment, with a recent study from Birmingham University estimating that during the construction phase alone, the project will contribute over £50 million to the South East economy, including the creation of 84 new construction jobs and 15-20 apprenticeships.

Across the business, as we gear up for the next five years, we are pleased to have welcomed a significant number of new colleagues, over the last twelve months. All our staff are vital in successfully delivering on our mission to deliver 'Excellence in Water, Always', and I thank them for their hard work and dedication.

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 shaped 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 transform 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.

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.

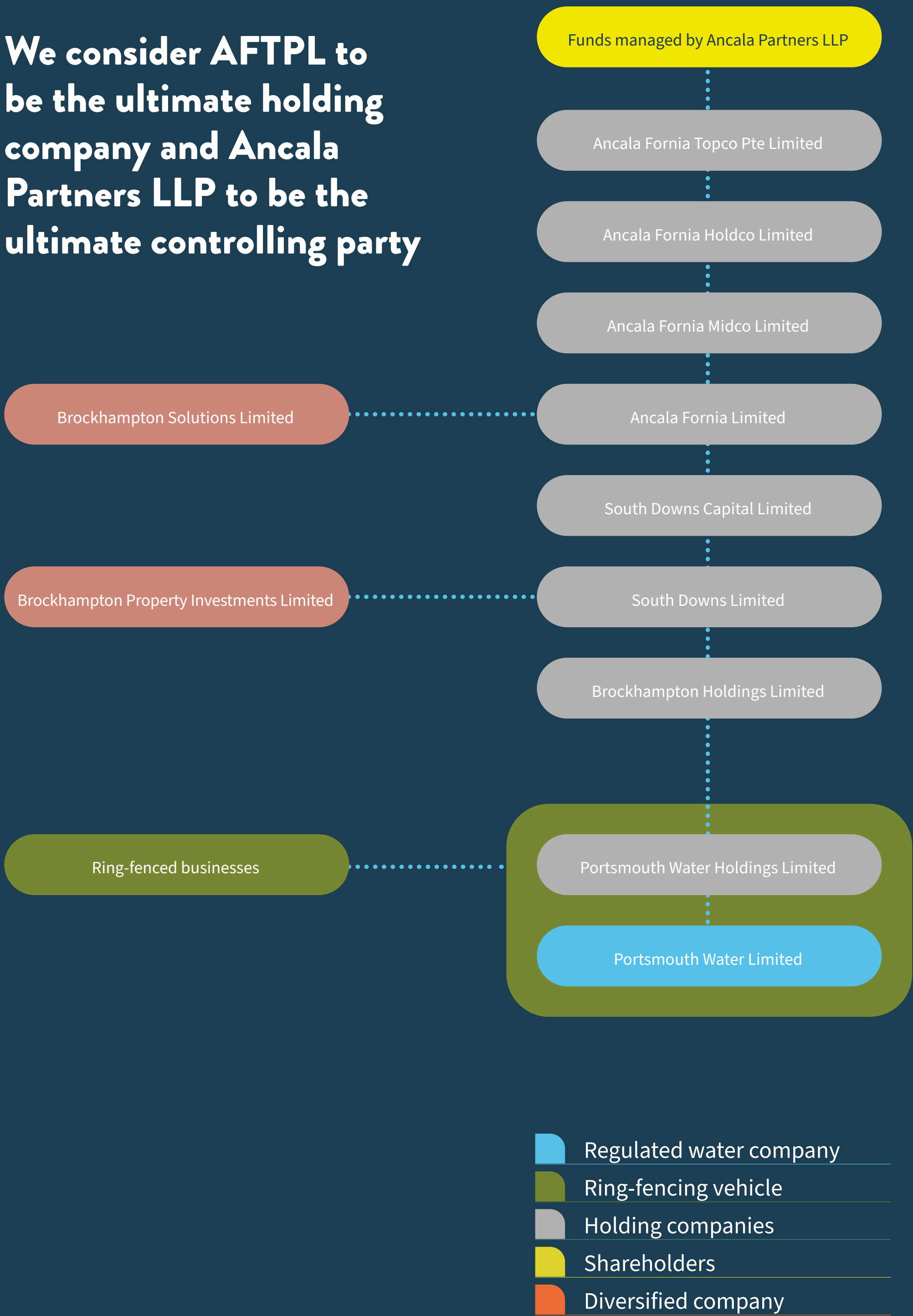
In March 2023 additional debt facilities were raised to finance the development of Havant Thicket Reservoir. This was raised under four different debt facilities which total £295m within Portsmouth Water Limited and a further £45m at Brockhampton Holdings Limited.

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



COMPANY DIRECTION AND PERFORMANCE

DURING 2024-25 WE MET OR EXCEEDED 19 OF OUR 25 PERFORMANCE COMMITMENTS

As part of the five-yearly business plan process, Ofwat, our economic regulator, sets operational performance targets, known as performance commitments, which we must meet each year.

For 2020 to 2025 we have 25 performance commitments (excluding Havant Thicket Reservoir), which cover every aspect of our business from customer service, to supply interruptions and biodiversity.

During 2024-25 we met or exceeded 19 of our 25 performance commitments, the same number we achieved in 2023-24.

Seventeen of our performance commitments have financial incentives associated with them so if we perform worse than the target then we pay a financial penalty and, in some cases, if we beat the target we can earn a reward.

These rewards and penalties are reflected through allowed increases or required reductions in the revenues we can recover from our customers through their bills via Ofwat's price controls.

In 2024-25 we received rewards and incurred penalties, with overall a net penalty of £1.0m (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 satisfaction. We incurred penalties for the water quality contacts measure, leakage and voids.

Customer services

The water sector's main measure of customer satisfaction, C-MeX, is a comparative measure applied to all water companies. Based on the results of an independent survey of customers, we are ranked alongside our peers for overall customer satisfaction.

In 2024-25 we were ranked fourth out of 17 companies – meaning we have achieved upper quartile performance in every year of the five-year regulatory period.

While our C-MeX ranking fell from first place in 2023-24, it remains in the upper quartile of companies. This was despite the migration of customers to our new billing platform during the year, and the beginning of our engagement with customers on their new smart meters. Both activities generated additional customer contact, and thus retaining our upper quartile position was a significant achievement. Our performance in 2024-25 earned a financial reward of £0.1m (2023-24 - £0.3m).

Another measure of customer satisfaction is the number of complaints we receive. Historically we have received very few complaints, with the third lowest level per 10,000 customers in the sector (as reported by CCWater).

During 2024-25 we saw an increase in the total number of complaints received to 30 per 10,000 connections (927 complaints). This was mostly associated with our metering plans, the associated change in our billing system and a shift to more digital services.

Having completed migration of our billing system we are confident that customers will begin to see the benefits, including greater ability to self-serve and manage their accounts online. We recognise that we have work to do to explain to our customers the need for universal metering and the benefits of our smart meter programme.

Despite the increase, our complaints remain well below the average for water only companies which in 2023-24 was 51 per 10,000 connections.

Now we have updated and improved our billing system, and begin to roll out our smart metering programme, we have an opportunity to give our customers an easier, more modern service and provide rich, real-time information about their water use and how they could save money not just on their water bills, but also on their wastewater and energy bills.

We recognise these changes will be unsettling for some customers, and we will work closely with them on a smooth transition.

Affordability and vulnerability

Our average bill for 2023-24 was £120 per year, which was the lowest in England and Wales.

Nonetheless, we recognise some of our customers still require extra support, either financially or in the services we provide.

We set ourselves a challenge to increase the number of customers benefitting from our social tariff to 10,000 by 2025. We exceeded this target early in 2024-25, with 15,051 receiving financial help.

We also operate a Priority Services Register (PSR) for our more vulnerable customers who may need extra help, for instance if supplies are interrupted. Our target was to have at least 9% of our customers on our PSR by 2024-25. We have also exceeded this target, reaching 15.5%.

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 target a satisfaction level of at least 85% and in 2024-25 we achieved 87%. (2022-23 - 85%).

As part of our business plan for 2025-2030 we have committed to increasing the help we provide to those who need extra support by extending the reach of our WaterSure and social tariffs. This includes making sure customers are aware of the support available and can easily access it, as well as continuing our payment matching scheme for customers in debt.

We do need to increase bills in the future to continue securing high-quality, resilient water supplies, but we have worked hard to minimise the increase. Based on Ofwat's allowed price increases, and forecast inflation, our average bill will increase to £184 by 2030. While this represents a significant increase, our bills will remain the lowest in the sector until at least 2030.

Water quality

The key performance commitment for drinking water quality is the Compliance Risk Index (CRI). 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.

The target is a score of zero, which equates to no failures, and penalties are incurred for a score above two. CRI is measured over the calendar year from January to December.

For 2024 our CRI score was 0.45 (2023 - 15.6), which represents a significant improvement from the prior year score, which was heavily influenced by three sample failures at our Farlington water supply works, which serves more than 100,000 properties. These sample failures were due to the sampling equipment, which has now been replaced, and did not reflect the quality of the water supplied

COMPANY DIRECTION AND PERFORMANCE

to customers. In 2023-24 we incurred a financial penalty of £0.8m. For CRI For 2024-25 there was no penalty.

As well as CRI, we also monitor the number of contacts we receive from customers about taste, odour, discolouration and illness. We measure the number of contacts per 1,000 population served during a calendar year. In 2024 we received 0.49 (2022 - 0.42) contacts per 1,000 population, a small increase which was impacted by national customer focus on water quality.

Between 2025-30, we will be investing more than £30m to make sure our water treatment works remain resilient, address deterioration in the quality of the raw water we abstract and begin to replace more of our customers' lead pipes.

Interruptions to supply

A reliable, constant supply of water is one of our customers' highest priorities and we know interruptions to supply can be very disruptive. So, we are proud to have maintained our industry leading position in avoiding supply interruptions.

We measure supply 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 and 1 second per customer. While this is slightly higher than 2023-24, which was our best ever performance, it remains the best in the sector, and significantly better than our Ofwat target of no more than 5 minutes.

As a result of this excellent performance, we will earn a financial reward of £0.2m (2023-24 - £0.3m).

To maintain our performance, we're planning to replace 51km of water mains 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.

Leakage

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 that we have not met our leakage target for a third consecutive year in 2024-25.

Our leakage target is measured as a three-year average, to even out fluctuations in the weather which affect our pipes. In 2024-25 our three-year average performance for leakage was 29.5 Ml/d compared to our target of 24.1 Ml/d. This compares to 29.1 Ml/d in 2023-24. This means we will incur a financial penalty of £0.9m (2023-24 - £0.7m).

Following an increase in leakage in 2022-23, as a result of very dry conditions followed by severe winter weather, a comprehensive recovery programme was implemented. This included trialling new detection techniques, including the use of satellite imagery and sniffer dogs. As a result, we have increased the number of leaks we have detected and repaired from 3,282 to 4,524 during the last year.

While the 2024-25 target was not met, we sustained the 12% reduction in leakage that we made in 2023-24 and made a further 1% reduction.

Looking ahead, our target is to reduce leakage by more than a quarter by 2030, from a 2017-2020 baseline. We will deliver this through mains replacement, enhancing our network of fixed detection sensors, and reductions in leaks on our customers' supply pipe leakage which will be picked up as part of our smart metering programme.

We are currently reviewing our reporting methodology for leakage to better align with current industry best practice, and we have been discussing with Ofwat our proposed improvements. The change in reporting methodology may necessitate a rebasing of our leakage targets for the 2025-2030 period, which we will discuss with Ofwat over the coming months. This would not impact the level of leakage reductions to be delivered in percentage terms and would only impact the baseline number.

Per capita consumption

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

We measure 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 for 2024-25 is 155.6 l/head/day, compared to our target of 139.9 l/head/day. This is a small reduction from 2022-23 which was 155.7 l/head/day, but year-on-year we have seen an increase in consumption from 2023-24, underlining the scale of the challenge we face in this area.

Like all water companies we saw a significant increase in household water use during the COVID-19 pandemic, meaning we could not deliver our consumption reduction target. While household consumption has reduced since the pandemic, changes in personal behaviours, in particular working from home, mean it is no longer possible to meet the reduction targets we set before the pandemic. Ofwat recognised this and applied an adjustment to targets as part of its PR24 price review process. Despite Ofwat's target adjustments, our performance was above target for each year of the period. This resulted in an aggregate penalty for the five years totalling £0.8m.

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

During the year we continued to support customers to reduce their water use, through social media campaigns, offering subsidised water butts and providing free water-saving gadgets through our Get Water Fit platform. 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 help raise awareness of water resources, increasing our followers by more than 20%.

During the year, we have installed 3,400 meters for customers on a voluntary and change of occupier basis to increase the numbers who pay for their water through a metered charge. We also installed more than 500 smart water meters as a pilot ahead of the roll-out of our full smart meter programme in 2025-26.

With the lowest bills in the sector and consequently, a low level of meter penetration, there is limited financial incentive for most of our customers to reduce their consumption. Between 2025 and 2035 we will be installing smart meters for all our customers and supporting them to better understand and manage their use, as well as identifying more leaks in customers' own homes as well as from our pipes. Given the relatively modest level of their water bills, helping customers understand the link between water use, their wastewater charges and their energy usage – and hence the opportunity to make greater savings – will be critical.

Developers

We work with developers and others to connect new properties to our network. We have to 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.

Developers' satisfaction with our service is measured through D-Mex. Like C-Mex, it is a comparative measure, based on a satisfaction survey and performance against specified levels of service. In 2023-24 we were in ninth place amongst water companies in the D-Mex assessment, representing a deterioration in our performance from 2022-23, when we were second. We are pleased that we have significantly improved our performance during 2024-25, ranking first, earning a financial reward of £0.2m.

We are continuing to improve the services we provide to our developer customers. We upgraded our website and online portal during 2023-24 and streamlined the application process for new connections. We will continue to make improvements; we have already streamlined our new mains application process and for 2025-26 we updated our charges to provide an environmental incentive for developers to build water efficient new homes.

COMPANY DIRECTION AND PERFORMANCE

Open Data

We are committed to working in partnership with customers, regulators, and other stakeholders to deliver on our vision. We hold significant amounts of data within the business, some of it reported and published annually, including as part of this Annual Performance Report (APR), but much of which is not freely available. Working collaboratively with third parties we are committed to unlocking the power of that data, through open data, to help us meet our objectives as well as ensuring that we manage all our data securely.

Last year we took an important step forward in our open data journey by joining the industry-led Stream Open Data initiative. This programme is funded by Ofwat's Innovation Fund, along with contributions from participant companies including Portsmouth Water, and aims to ensure that the sector works in a joined-up way to maximise the benefits of open data for customers and the environment. For a smaller water company, such collaboration is essential to ensure that we maximise the value of our data by making it available in a common format alongside that of our peers in the sector.

In 2023-24 we reviewed our approach to publishing APR tables in order that they can be accessed and reused by all. As an active member of the Stream programme we adopted an initial approach to publish a database style format (.csv) which has a machine readable characteristic. The reason for adopting this approach was to provide a standardised model in a flexible format allowing for easier cross industry comparisons at company or specific item level. At the same time that we publish the APR tables on our website we will also upload to the Stream portal to allow stakeholders to access all companies' data in one place.

During the last year we have added Environmental Information Regulations (EIR) request data and Appointed Water Supply Boundaries to the data published via Stream in 2023-24.

Over the coming year, in addition to again making available our APR tables and EIR request data, we will be adding to the data made available via the Stream portal, to include the following:

- Night-flow data (used to identify leakage) – updated on a monthly basis
- Drinking Water Quality – updated annually in February
- Domestic consumption data at LSOA level – updated annually in August

As we identify additional use cases through the year, working closely with Stream, we will add additional datasets to those available.

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.

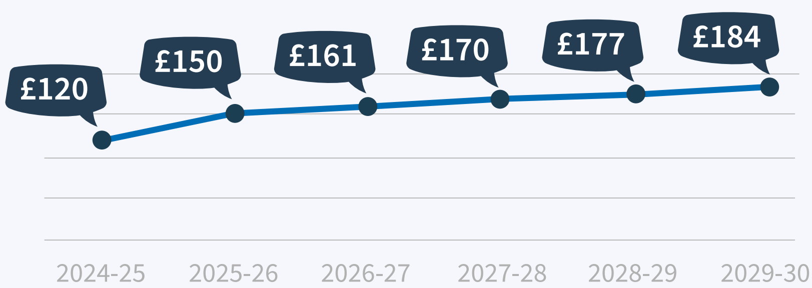
These PCDs make sure that if we do not deliver the investments we have committed to, we will return the money to our customers. We will also pay penalties if we deliver the investment late.

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 average annual bill including inflation.



*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.


Portsmouth
Water

CORPORATE GOVERNANCE

The Board of Portsmouth Water Limited, on 31 March 2025, comprised two Executive Directors, one independent Chair, two independent Non-Executive Directors and one Investor Director. The Ofwat principles for Board leadership, transparency and governance require that independent non-executives should constitute the largest single group of Directors. Portsmouth Water complies with this requirement.

The Executive Directors are Bob Taylor, who is the Chief Executive Officer, and Chris Milner who is the Chief Financial Officer. The independent Chair is Christopher Deacon, and the independent Non-Executive Directors are Lara Stoimenova and Sharon Darcy. The Investor Director is Christopher Loughlin.

Portsmouth Water is committed to high standards of Corporate Governance and takes the lead from the principles set out in the UK Corporate Governance Code and Ofwat's principles for Board leadership, transparency and governance.

Detailed information on the Company's Governance processes and compliance, including operation of the Board, Risk Management and Internal Control are set out on pages 100 to 133 of the Company's Annual Report and Accounts (ARA).

Compliance

The Board complies with the Ofwat principles for Board leadership, transparency, and governance in all areas. A summary of how we meet the Ofwat's principles is provided below.

Auditors

KPMG LLP were appointed as Auditors of the Portsmouth Water Group during 2017, in relation to the year ended 31 March 2018, and have continued in office since that time.

Whistleblowing

The Board understands the importance of ensuring whistleblowing receives the prominence it deserves. The Company's Whistleblowing 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 involved the investigation of this Chair.

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.

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 10. 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.

CORPORATE GOVERNANCE

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 13.
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 28.
An explanation of the principal risks to the future success of the business, and how these risks have been considered and addressed.	The principal 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 of the Annual Report and Accounts.
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 46 to 59, 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 of the Annual Report and Accounts. The Board have updated their assessment of the composition of Board. Early 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 evaluation which was undertaken at the same time.
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 of the Annual Report and Accounts.
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 of the Annual Report and Accounts.
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 of the Annual Report and Accounts. 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 of the Annual Report and Accounts.
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 of the Annual Report and Accounts. 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 of the Annual Report and Accounts 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.

DIVIDEND POLICY

Annual Performance Report Dividend Disclosures

In May 2023 Ofwat introduced a new licence condition that required that dividends should only be declared or paid in accordance with a dividend policy that has been approved by the Board and which complies with the following principles:

(a) That dividends declared or paid will not impair the ability of the Appointee to finance the Appointed Business, taking account of current and future investment needs and financial resilience over the longer term.

(b) That dividends declared or paid take account of service delivery for customers and the environment over time, including performance levels, and other obligations.

(c) That dividends declared or paid reward efficiency and the effective management of risks to the Appointed Business.

In June 2023 Ofwat issued guidance on the factors it would consider in assessing dividends paid or declared, for the purposes of compliance with the licence condition.

We describe below the dividend policy approved by the Board, how this meets Ofwat's expectations and how the policy has been implemented in respect of dividends paid in 2024-25 (in respect of 2023-24 performance) and dividends declared in respect of 2024-25 performance.

Dividend policy

Dividend policy is set to align with the five-year business plan agreed with Ofwat. A new dividend policy was adopted in April 2020 in line with the proposal in our PR19 business plan submission. The policy was set in line with regulatory guidance in Ofwat's PR19 Final Methodology and the Draft Determination.

The policy was revised for the financial year 2021-22 following additional guidance provided in Ofwat's PR19 Final Determination to reflect a yield of 4% on regulated equity (compared with 5% in the previous published dividend policy). The policy is reviewed annually to reflect feedback on the Annual Performance Report and further guidance from Ofwat.

In assessing our dividend policy and our proposed dividend the Board consider the following factors:

(a) Delivery of performance commitments to customers and stakeholders over a rolling three-year period, this includes:

   a. Customer Service: C-MeX, D-MeX, Written complaints.

   b. Performance Commitments: Leakage, Interruptions to supply.

   c. Commitments to customers: Vulnerable customers, Sustainable abstraction, Community commitments.

   d. Employees: Health & Safety, Pensions.

(b) Overall financial performance of the appointed and non-appointed business including performance against Totex allowances and other regulatory financial incentives.

(c) Financeability tests on medium-term liquidity, and long-term financial viability testing to consider long-term financial resilience, including consideration of future capital requirements to support RCV growth and investment requirements.

(d) Compliance with regulatory requirements, in particular Licence Condition P and Licence Condition F.

In considering these factors the Board is confident that we meet the requirements of our licence condition on dividends and Ofwat's guidance, which require an in-the-round assessment of performance over time against its performance commitments (factors (a) and (b)), its investment plans and cost efficiency (factor (c)) and other areas of its operations (factor (d)).

In accordance with the policy a base dividend is calculated as 4% of the equity component of the average RCV for the financial period.

- We calculate our base dividend based on the notional company to align to the risk and reward assumptions at PR19. We base distributions on the notional company structure to reduce volatility due to the timing of deployment on new equity through AMP7, and to create clarity for investors.
- We monitor the dividend yield in line with the calculation methodology in the Annual Performance Report that reflects dividend yield on the actual company equity component to ensure we remain in line with PR19 guidance and Ofwat expectations.
- We review annually whether the dividend yield should be reduced where there is significant RCV growth that is not adequately supported with shareholder equity.

The base dividend payable is automatically adjusted for the following items:

- The dividend is reduced by the interest payable in relation to subordinated intercompany loans to ensure overall distributions to holding companies are maintained in line with PR19 dividend guidance.
- The dividend is reduced in the event of net financial penalties relating to in-period Outcome Delivery Incentives following publication of Ofwat's final determination of in-period Outcome Delivery Incentives (published in November following the end of the financial year).

The Board will consider any required further reduction to the dividend payable where:

- The Company performance over a rolling three-yearperiod does not deliver on commitments to customers and stakeholders.
- Financial performance does not support payment of a dividend.
- Forecast five-year totex is higher than allowances in the PR19 final determination.
- Regulatory gearing is above the limits set in the Ofwat Gearing Outperformance Sharing Mechanism.
- Real growth of the asset base within the AMP is not adequately supported by shareholder funding.
- Financeability tests on medium-term liquidity and financial viability testing give rise to concerns about long-term financial resilience.
- There is non-compliance with regulatory licence conditions, including License Condition P clauses on dividend policy and credit ratings / cash lock up and licence Condition F Regulatory Accounting Statements.

The Board will consider further additions to the base dividend where:

- Profits are available from non-appointed activities.
- Net financial rewards are available through the in-period Outcome Delivery Incentives following consideration of projected future performance.
- There are proceeds arising from the company share of property disposals.

The Board will consider further additions to the base dividend at the end of the 2020-2025 price control for:

- Outperformance against the wholesale five-year totex incentive mechanism. The Company will transparently set out and explain to stakeholders the application of the dividend policy each year and how it relates to performance in each year.

DIVIDEND POLICY

Dividend paid in year (relating to 2023-24 performance)

The dividend paid in the financial year 2024-25 relates to performance in 2023-24. The Directors declared a dividend of £3.223m in last year's accounts. This was paid in July 2024. In making this recommendation the Directors carefully considered the relevant factors and believed a 4% dividend yield was appropriate, given that the significant RCV growth in the AMP was supported by new shareholder equity of £170m. No interim dividend relating to financial year 2023-24 was paid in year. Calculation of the dividend is set out in the tables on pages 28 and 29.

Performance for customer and the environment

The Board assessed company performance for customers and the environment before determining that a dividend could be paid. Performance has been assessed over a rolling three-year period. Further details of performance in each year can be found in the relevant APR commentaries.

Performance	Measure	2021-22	2022-23	2023-24
Customer service	**C-Mex Rank**	3rd	2nd	1st
Developer service	**D-Mex Rank**	3rd	2nd	9th
Written complaints	**Complaints per 10,000 connections**	✓	✓	✓
Leakage	**ODI Target**	✓	✗	✗
Interruptions to supply	**ODI Target**	✓	✓	✓
Vulnerable customers	**Priority Services Register / Social Tariff**	✓	✓	✓
Sustainable abstraction	**Abstraction Incentive Mechanism**	✓	✓	✓
Community commitments		✓	✓	✓
Health & Safety	**RoSPA accreditation**	✓	✓	✓
Pensions	**Scheme in surplus**	✓	✓	✓
ODI	**Overall ODIs achieved**	18/26	19/26	20/26

In deciding to pay a dividend the Board were satisfied that Portsmouth Water had consistently delivered on its commitments to customers and the environment. Customer experience for households and developers has been upper quartile in each year and for 2023-24 C-MeX performance was the best in the sector. Our ranking on D-MeX deteriorated in 2023-24, following two years of upper quartile performance. However, our performance remained average for the sector. This deterioration was because we failed to issue a number of new mains quotations and designs within the target time. The significant change in our position was partly reflective of the small number of interactions with developers we work with, compared to larger companies, as a small change in performance can have a large impact on our ranking.

The number of complaints per 10,000 connections remain extremely low compared to our peers, despite a small increase in 2023-24 from 669 to 754.

Customer interruptions were the lowest in the industry through the period and performance for 2023-24 was the best performance in recent years. Performance commitments in relation to the Priority Services Register, social tariffs and Abstraction Incentive Mechanism were met, along with delivery on our community commitments supporting local STEM fairs, single use plastic campaigns and engagement on Havant Thicket.

The Board also takes a wider assessment of performance and considers health and safety and pensions as indicators of social responsibility. In the three years to 2023-24 the defined benefit pension scheme remained in surplus and RoSPA accreditation was maintained. The pensions scheme is closed to future accrual - all employees have transferred to our defined contributions scheme and employer contributions have been increased to a maximum of 15% for all employees.

Overall ODI performance between 2021-22 and 2023-24 was strong with more than 70% of performance commitments being met, and a net reward being achieved over the four years of the regulatory period. Per Capita Consumption remained above the ODI target, as it was impacted by increased consumption during COVID-19 and has remained above target. The smart metering programme in AMP8 will be the key to unlocking consumption reduction in future.

The Board also considered the increase in the CRI water quality score in the year. It noted that the increase in the CRI score was driven principally by issues with sampling equipment at the Farlington water treatment works and did not reflect the quality of water received by customers. Having considered the root causes of the increase in the CRI score, the fact that there was no impact on the water quality received by customers and the corrective action that has been taken, the Board concluded that no further adjustment to dividends, beyond that arising from the ODI penalty of £0.8m, was appropriate.

Financial resilience over the longer term

Totex performance has been considered in approving the dividend declaration. The Board were satisfied that actual and projected expenditure remained in line with forecast and within the PR19 final determination cost allowance. Underlying regulatory gearing was 33% after taking account of the Havant Thicket Cost Adjustment Mechanism increased Totex, and within the limits set in the Gearing Outperformance Sharing Mechanism.

The Board considered whether the dividend paid should be adjusted to reflect the level of RCV growth in AMP7 but were satisfied that the extent of the equity commitments made by shareholders to support the construction of the Havant Thicket Reservoir – a total of £170m - supported maintaining a dividend policy of a 4% yield on regulated equity.

The Board was satisfied that following the successful financing exercise conducted in 2022-23 with confirmation of £340m of new debt facilities and £170m of committed equity ensures financeability tests on medium-term liquidity and financial viability have been met and financial performance was in line with expectations.

The Board noted the potential for an additional financing requirement to fund changes in the scope of the Havant Thicket Reservoir scheme to support Southern Water's water recycling project, which will require adjustments to the reservoir pipeline and reservoir inlet. These changes will be subject to a future regulatory process and any additional funding requirements, including the need for additional equity, will be considered as part of that process. The Board is satisfied that, based on the current agreed project scope, appropriate funding and facilities are in place to support delivery of the current scheme.

The Board also considered compliance with the regulatory licence, including Licence Condition P clauses on dividend policy and credit ratings / cash lock up and licence Condition F Regulatory Accounting Statements. It was satisfied that there were no compliance issues which would impact the payment of any dividend.

In considering whether it was prudent to make dividend payments the Board reviewed whether the headroom in financing plans and the level of equity deployed was sufficient to support a dividend payment during construction of the Havant Thicket reservoir. The Board's conclusion was that payment of a dividend is appropriate.

Adjustment to dividend paid

The following adjustments were made to the dividend paid, in line with our stated dividend policy.

DIVIDEND POLICY

The base dividend was reduced by £0.604m for intercompany interest and £0.054m in relation to ODI performance following confirmation of the net penalty in Ofwat's final determination of ODIs for 2022-23 in November 2023.

Brought forward net rewards from the first two years of AMP7 were £1.004m; an increase to base dividend for £0.054m was applied to offset the net penalty for 2022-23.

The Board did not recommend any adjustment to dividend in relation to 2023-24 performance but noted that we expect to apply an adjustment to reflect a net ODI penalty for 2023-24 performance following Ofwat's publication of the ODI final determination in November 2024.

The Board believe it appropriate to apply adjustments to dividends in the year that penalties are reflected in customer charges. This ensures dividends reflect performance for the customer and environment but also ensure that investors are sighted to changes to earnings and ensures it can be reflected in forward planning.

Dividend Yield

Regulatory gearing and calculated dividend yield for 2024-25, as reported in Table 4H, is 71% and 3.7% respectively based on the PR19 Final Determination.

The calculations do not reflect the increased Totex allowance agreed with Ofwat through the Cost Adjustment Mechanism for Havant Thicket that concluded in January 2023. The result is that regulatory gearing is overstated for 2024-25 as additional debt supporting investment is reflected in the calculation without recognising an increase in RCV (the RCV will be recognised in a midnight adjustment at PR24).

As shown below, restating the gearing and dividend yield for the additional Totex funding results in regulatory gearing of 39% and a dividend yield of 1.0% (below the PR19 guidance of a 4% yield). Further information on the cost adjustment mechanism can be found here:

https://www.ofwat.gov.uk/wp-content/uploads/2022/12/Havant-Thicket-CAM-final-decision-document.pdf

Dividend workings for 2023-24 (paid in year)

Dividend calculations		2023-24
	Total: Average RPI inflated RCV (year average) - nominal (year average prices)	£83.197m
	Total: Average CPIH inflated RCV (year average) - nominal (year average prices)	£77.350m
	Total: Average post 2020 investment RCV (year average) - nominal (year average prices)	£79.245m
	Total: Average total RCV (year average) - nominal (year average prices)	£239.792m
	Regulatory equity notional (PR19FD)	40%
	Regulatory equity notional (PR19FD)	£95.917m
	Dividend yield (per dividend policy)	4%
	Base Dividend - Return on Regulated Equity	£3.837m
	Base Dividend - Recirculating Dividend	£0.000m
	Base Dividend	**£3.837m**
Less	Adjustment for intercompany interest payable to holding companies	(£0.604m)
Less	Adjustment for in-period Outcome Delivery Incentive penalties	(£0.054m)
Add	Adjustment for in-period Outcome Delivery Incentive rewards accumulated	£0.054m
Other	Performance against commitments to customers and stakeholders	
Other	Financial performance supports dividend payment	
Other	5-year Totex expected within PR19 Financial Determination limits	
Other	Regulatory gearing within limits of PR19 Gearing Outperformance Sharing Mechanism	
Other	Financial resilience: Medium term liquidity / Financial Viability Tests	
Other	Regulatory licence compliance	
	Dividend Declared For Year	**£3.233m**
	Interim Dividend - Return on Regulated Equity	£0.000m
	Interim Dividend - Recirculating dividend	£0.000m
	Interim Dividend Paid/Proposed	**£0.000m**
	Final Dividend - Return on Regulated Equity	£3.233m
	Final Dividend - Recirculating dividend	£0.000m
	Final Dividend (paid in following year)	**£3.233m**

DIVIDEND POLICY

Dividends workings for 2024-25

Dividend yield calculations		2024-25
	Dividend Paid - Return on Regulated Equity	£3.233m
	Dividend Paid - Recirculating Dividend	£0.000m
	Dividend Paid In Year	**£3.233m**
PR19 Final Determination		
	Closing RCV - Water Resources	£11.559m
	Closing RCV - Water Network +	£204.232m
	Closing RCV - Havant Thicket	£78.324m
	Closing RCV - Total	**£294.115m**
	Actual gearing (RAR per stats & PR19 RCV)	70.64%
	Net debt	£207.766m
	Actual equity	£86.349m
	Actual yield	**3.74%**
PR19 Final Determination and Cost Adjustment Mechanism		
	Closing RCV - Water Resources	£11.559m
	Closing RCV - Water Network +	£204.232m
	Closing RCV - PR19 Havant Thicket	£78.324m
	Closing RCV - Havant Thicket CAM additional RCV (recognised at PR24)	£238.938m
	Closing RCV - Total	**£533.053m**
	Actual gearing (RAR per stats & PR19 RCV)	38.98%
	Net debt	£207.766m
	Actual equity	£325.287m
	Actual yield	**0.99%**
	CAM RCV Adjustment, Real 2017 - 18 Prices	£182.964m
	CPIH Index (closing)	136.10
	CPIH Index (actual) - FYE - inflate from FYE 2017-18	130.6%
	CAM RCV Adjustment, Nominal	**£238.938m**

Dividend declared for 2024-25 (to be paid in July 2025)

The Board has declared a dividend relating to performance in 2024-25 of £2.894m. No interim dividend relating to financial year 2024-25 was paid in year so the full amount is expected to be paid in July 2025.

In making this dividend recommendation the Directors have carefully considered the relevant factors and believe a 4% dividend yield is appropriate, given that RCV growth is supported by new shareholder equity. Calculation of the dividend is set out in the table on page 38.

Performance for customers and the environment

The Board assessed company performance for customers and the environment before determining that a dividend can be paid. Performance has been assessed over a rolling three-year period.

Performance	Measure	2022-23	2023-24	2024-25
Customer service	C-Mex Rank	2nd	1st	4th
Developer service	D-Mex Rank	2nd	9th	1st
Written complaints	Complaints per 10,000 connections	✓	✓	✓
Leakage	ODI Target	✗	✗	✗
Interruptions to supply	ODI Target	✓	✓	✓
Vulnerable customers	Priority Services Register / Social Tariff	✓	✓	✓
Sustainable abstraction	Abstraction Incentive Mechanism	✓	✓	✓
Community commitments		✓	✓	✓
Health & Safety	RoSPA accreditation	✓	✓	✓
Pensions	Scheme in surplus	✓	✓	✓
ODI	Overall ODIs achieved	19/26	20/26	20/26

In deciding to declare a dividend the Board were satisfied that Portsmouth Water had consistently delivered on its commitments to customers and the environment.

Customer experience for households has been upper quartile in each year of the period. While it slipped from first place to fourth over the last year, it remains in the upper quartile of companies. This was despite the migration of customers to our new billing platform during the year, and the beginning of our engagement with customers on their new smart meters. Both activities generated additional customer contact, and thus retaining our upper quartile position was a significant achievement.

The number of complaints per 10,000 connections remains extremely low compared to our peers at 25 compared to an industry average of 34.

Our ranking on the D-Mex measure of service to developers improved over the year and is now back in the upper quartile of companies.

Customer interruptions have consistently been the lowest in the industry through the period, with performance in 2023-24 being the best ever. Our industry-leading performance was maintained in 2024-25, with average interruptions of two minutes and one second, significantly better than our Ofwat target of five minutes.

Performance commitments in relation to the Priority Services Register, social tariffs and Abstraction Incentive Mechanism have been met, along with delivery on our community commitments supporting local STEM fairs, single use plastic campaigns and engagement on Havant Thicket.

DIVIDEND POLICY

The Ofwat leakage target was not met again in 2024-25. This is the third successive year that the target has not been met. Given the importance of this measure, the Board has considered whether our leakage performance warrants an adjustment to the dividend declared, over and above the associated ODI penalty.

Following an increase in leakage in 2022-23 as a result of very dry conditions followed by severe winter weather, a comprehensive recovery programme was implemented. While the target has not been met, we sustained the significant reductions in leakage achieved in 2023-24 (12% reduction). Given the reductions achieved, and the fact that not meeting the target has had no direct impact on customers the Board concluded that no additional dividend adjustment was appropriate.

The Board takes a wider assessment of performance and considers health and safety and pensions as indicators of social responsibility. In the past three years the defined benefit pension scheme has remained in surplus. The pensions scheme has been closed to future accrual; all employees have transferred to the defined benefits scheme and employer contributions have been increased to a maximum of 15% for all employees.

RoSPA accreditation has been maintained, earning us a place as the only water company to be presented with RoSPA's prestigious Order of Distinction. In addition, we have now had no lost time injuries for two years and no RIDDOR reportable incidents for three years.

Overall ODI performance over the last three years remains strong with >70% performance commitments being met. Per capita consumption remained above the ODI target, as it was impacted by increased consumption during Covid and has remained above target. The smart metering programme in AMP8 will be the key to unlocking consumption reduction in future.

Financial resilience over the longer term

Totex performance has been considered in approving the dividend declaration. Over the five-year period totex remains below the PR19 final determination cost allowance. An underspend in earlier years, partly related to the impact of Covid-19 on capital investment, was offset by higher spend at the end of the AMP.

Underlying regulatory gearing was 33% after taking account of the Havant Thicket Cost Adjustment Mechanism increased Totex, and within the limits set in the Gearing Outperformance Sharing Mechanism.

The Board considered whether the dividend paid should be adjusted to reflect the projected level of RCV growth in AMP8. A significant proportion of this RCV growth will result from the expansion of the scope of the Havant Thicket Reservoir programme to incorporate the alignment works associated with Southern Water's proposed recycling plant, and the impact of ground conditions on the project costs.

These changes will be subject to a regulatory process during the next year and any additional funding requirements, including the need for additional equity, will be considered as part of that process. The Board is satisfied that, based on the current agreed project scope, appropriate funding and facilities are in place to support delivery of the current scheme following the successful financing exercise conducted in 2022-23.

In considering the payment of a dividend the Board has also considered the outcome of the viability assessment which assesses the prospects of the company over a future period of 10 years (see pages 40 to 43). It is satisfied, on the basis of that assessment, that the company has in place a resilient financial structure, a good, quantified understanding of the risks that it faces, and a clear mitigation strategy for those risks.

The Board also considered compliance with the regulatory licence, including Licence Condition P clauses on dividend policy and credit ratings / cash lock up and licence Condition F Regulatory Accounting Statements. It is satisfied that there are no compliance issues which would impact the payment of any dividend.

Adjustment to dividend paid

The following adjustments were made to the dividend declared, in line with our stated dividend policy.

- The base dividend was reduced by £1.161m for intercompany interest and £1.295m in relation to ODI performance following confirmation of the net penalty in Ofwat's final determination of ODIs for 2023-24 published as part of the PR24 final determination.
- Unused brought forward net rewards from the first four years of AMP7 were £0.949m; an increase to base dividend for £0.949m has been applied to offset the net penalty for 2023-24.
- The Board has not recommended any adjustment to dividend at this stage in relation to 2024-25 performance but noted that we expect to apply an adjustment to reflect a net ODI penalty for 2024-25 performance in 2025-26, in line with the associated adjustment to allowed revenues.
- The Board believe it appropriate to apply adjustments to dividends in the year that penalties are reflected in customer charges. This ensures dividends reflect performance for the customer and environment but also ensure that investors are sighted to changes to earnings and ensures it can be reflected in forward planning.
- We anticipate the net adjustment to 2025-26 dividends will be a reduction of £1.2m, reflecting ODI penalties incurred for 2024-25.

ODI Reward / Penalty	2020-21	2021-22	2022-23	2023-24	2024-25
ODI reward brought forward	£0.000m	£0.000m	£0.360m	£0.934m	£0.918m
Indexation		£0.000m	£0.032m	£0.035m	£0.031m
Ofwat ODI Final Determination (November in following year)		£0.889m	£0.543m	(£0.052m)	(£1.295m)
Penalty adjustment to dividends		£0.000m	£0.000m	£0.052m	£1.295m
Reward adjustment to dividends		(£0.529m)	£0.000m	(£0.052m)	(£0.949m)
ODI reward carried forward	**£0.000m**	**£0.360m**	**£0.934m**	**£0.918m**	**(£0.000m)**

Dividend workings for 2024-25 (declared to be paid in July 2025)

Dividend calculations		2024-25
	Total: Average RPI inflated RCV (year average) - nominal (year average prices)	£82.025m
	Total: Average CPIH inflated RCV (year average) - nominal (year average prices)	£76.486m
	Total: Average post 2020 investment RCV (year average) - nominal (year average prices)	£116.567m
	Total: Average total RCV (year average) - nominal (year average prices)	£275.079m
	Regulatory equity notional (PR19FD)	40%
	Regulatory equity notional (PR19FD)	£110.032m
	Dividend yield (per dividend policy)	4%
	Base Dividend - Return on Regulated Equity	£4.401m
	Base Dividend - Recirculating Dividend	£0.000m
	Base Dividend	**£4.401m**
Less	Adjustment for intercompany interest payable to holding companies	(£1.161m)
Less	Adjustment for in-period Outcome Delivery Incentive penalties	(£1.295m)
Add	Adjustment for in-period Outcome Delivery Incentive rewards accumulated	£0.949m
Other	Performance against commitments to customers and stakeholders	
Other	Financial performance supports dividend payment	
Other	5-year Totex expected within PR19 Financial Determination limits	
Other	Regulatory gearing within limits of PR19 Gearing Outperformance Sharing Mechanism	
Other	Financial resilience: Medium term liquidity / Financial Viability Tests	
Other	Regulatory licence compliance	
	Dividend Declared For Year	**£2.894m**
	Interim Dividend - Return on Regulated Equity	£0.000m
	Interim Dividend - Recirculating dividend	£0.000m
	Interim Dividend Paid/Proposed	**£0.000m**
	Final Dividend - Return on Regulated Equity	£2.894m
	Final Dividend - Recirculating dividend	£0.000m
	Final Dividend (paid in following year)	**£2.894m**

ODI Reward / Penalty		2024-25
	ODI reward b/f	£0.918m
	Indexation	£0.031m
	Ofwat ODI Final Determination (November in following year)	(£1.295m)
	Penalty adjustment to dividends	£1.295m
	Reward adjustment to dividends	(£0.949m)
	ODI reward c/f	**£0.000m**

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 20 to 22. 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).

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 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 reflects this consideration of 'resilience in the round', along with our Board's risk assessment can be found in our Annual Report and Accounts 2025.

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 43), 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

TAX STRATEGY

Corporate structure

The group structure is set out on page 13. 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 Fornia 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.

The 'PBIE' election made by the group expired on 31 March 2025, therefore the group will look to renew this exemption from 1 April 2025 for the next 5 years.

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

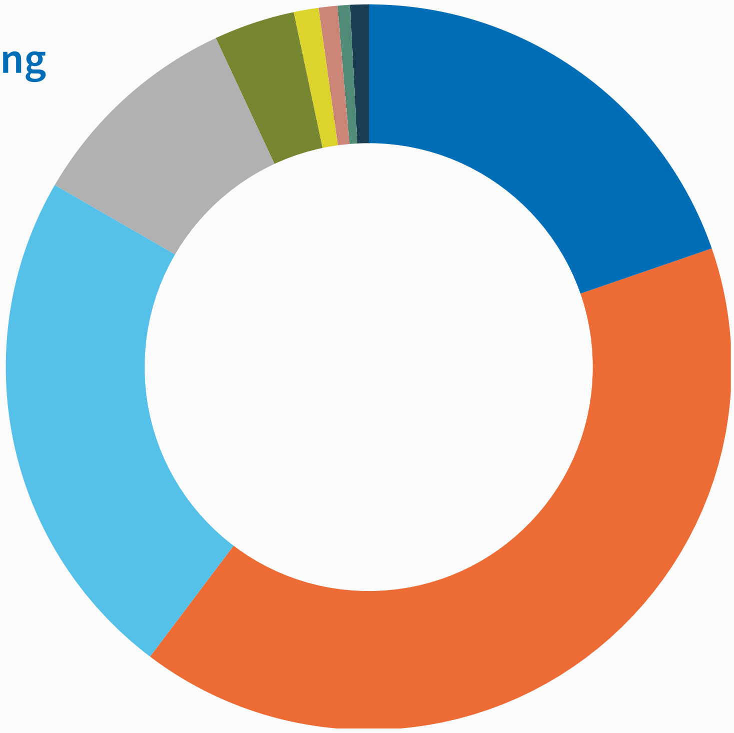
The Company seeks to have a transparent, respectful and proactive relationship with HMRC, be that directly or through intermediaries acting on our behalf.

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

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 53 to 55.

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

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, particularly 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
Base Salary (Fixed Pay) 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
Benefits (Fixed Pay) 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
Pension (Fixed Pay) 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
Annual bonus (Variable Pay) 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.
Long term deferred bonus scheme (Variable Pay) (1) - "LTIP1" 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.
Long term incentive scheme (Variable Pay) (2) - "LTIP2" To incentivise Executive Directors to deliver sustained long term performance	Long term bonus 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.
Long term incentive scheme (Variable Pay) (3) 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.
Employment contracts, and loss of office 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
New Executive Director appointments 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
Total maximum variable bonus allowance (%)			
Chief Executive Officer	65%	45%	20%
Chief Financial Officer	50%	35%	15%
Commercial Director 1	35%	25%	10%
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 ODI's :		45%
Compliance Risk Index	Unplanned Outage	
Interruptions	C-Mex	
Leakage	D-Mex	
PCC	Priority Services	
Mains Repairs	Severe Drought	
Carbon Net Zero	Health and Safety (reportable accidents)	
Community Partnership Initiative		
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 has 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 Ml/d Actual: 29.5 Ml/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 Ml/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%.

To ensure we have correct information 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.

To drive continuous improvement, we 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 [1], 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	LTIP 1* £000	LTIP 2 £000	Sub-total £000	Pension £000	Total 2025 £000	Total 2024 £000	Movement £000
Executive:										
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**
Non-Executive:										
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.

[1] 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	**Weighting**	**Achieve-ment 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**
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	Achieve-ment 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%	165	50%	83	49	35%	58	15%	25
	Financial	20%	100%	20%				17				
	Personal	20%	100%	20%				17				
	Total	**100%**		**100%**				**83**				
Total					**165**	**50%**	**83**	**83**		**58**		**25**
Actual Bonus	Service	60%	70%	42%	165	50%	58	35	35%	40	15%	17
	Financial	20%	50%	10%				8				
	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*	LTIP2 earnt in year**
Chief Executive Officer C. R. Taylor	50%	291	58
Chief Financial Officer J.C. Milner	25%	145	42

*The remaining 25% is payable to a member of the Executive Leadership Team
**Assumes 1/5th of bonus was earnt in FY25

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	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	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[1]	3%	3%

[1]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	**2025**	**2024**	**2023**
25th percentile	13.01	13:01	20.01
50th percentile	09.01	10:01	12.01
75th percentile	06.01	7:01	08.01

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' STATEMENTS AND RESPONSIBILITIES

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Performance Report and the financial statements in accordance with applicable law and regulations.

In addition to their responsibilities under Companies Act, the Directors are required to prepare accounting statements which comply with the requirements of Condition F of the Instrument of Appointment issued by the Secretary of State for the Environment, Food and Rural Affairs (Defra) and the Regulatory Accounting Guidelines issued by Ofwat.

Condition F of the licence requires us to:

(a) keep appropriate accounting records which are consistent with guidelines published by Ofwat;

(b) prepare a set of regulatory accounting statements, in respect of the twelve-month period ending on 31 March in each Charging Year, which are in accordance with the Regulatory Accounting Guidelines; and

(c) comply with all other requirements that are set out in the Regulatory Accounting Guidelines.

We confirm that to the best of our knowledge that these regulatory accounting statements are prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial position and profit of the Company.

Confirmation of disclosure of information to auditors

The Directors confirm that:

- so far as they are aware, there is no relevant information of which the Company's auditors are unaware; and,
- they have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Statement of Compliance with Licence Condition P – ring-fencing

In accordance with the provisions of Condition P of our licence we hereby present a ring-fencing certificate.

This certificate confirms that, in the opinion of the Board of Portsmouth Water Limited:

(a) The company will have available to it sufficient financial resources and facilities to enable it to carry out the Regulated Activities, for at least the next twelve months.

(b) The company will have available to it sufficient management resources and systems of planning and internal control to enable it to carry out the Regulated Activities, for at least the next twelve months.

(c) The company has sufficient rights and resources, other than financial resources, such that if a special administration order were made, the special administrator would be able to manage the affairs, business, and property of the company.

(d) All contracts entered into between Portsmouth Water and any Associated Company include the necessary provisions and requirements in respect of the standard of service to be supplied to the company, to ensure that it is able to carry out the Regulated Activities.

The Licence Condition P certificate has been subject to assurance by our auditors KPMG. The auditor assurance is published alongside the Annual Performance Report on our website www.portsmouthwater.co.uk/about-us/accounts/.

In providing this ring-fencing certificate, the Board has taken into account the factors set out in the following table. In the opinion of the Board of Directors they have carried out a robust assessment of these factors and have summarised the matters that they have considered below.

Financial resources and facilities

Factors	Summary of Board considerations
Financial Position	A detailed review and consideration of the year-end financial statements with particular attention to available cash and short-term facilities. Ongoing monitoring of the funding requirements associated with the construction of Havant Thicket, including the requirements around the new debt and equity financing to support the project. Consideration of ratings agency position and credit rating. Consideration of the Company's "Investor Report" including forecast headroom in relation to key financial ratios. A process of robust challenge and review of budgets and available headroom, for both the next twelve months and full AMP, prior to Board approval.
Performance against the PR19 business plan and Final Determination	Routine Board reporting of key Final Determination delivery metrics, including Outcome Delivery Incentives and routine reporting of totex outturn. Board scrutiny and challenge in relation to the delivery of Business Plan activities and objectives including key aspects of the capital programme, delivery risks and overall business performance. Board members attendance at stakeholder forums, including meetings of the Customer Scrutiny Panel. Where business performance has fallen below the stretching targets set out in the business plan the Board has considered the Company's response and strategy in those areas.
Credit related factors	The Board approved the Company's "Investor Report" including headroom against financial covenants and key financial ratios as at 31 March 2025, and as forecast for the next five years. The Board recognise and review the ongoing discussion with the Credit Rating Agency concerning the additional financing for the construction of Havant Thicket, and the potential impacts on the Rating that financing brings. The Company has maintained an investment grade credit rating.
Business plans and long-term viability statements	Board approval of PR24 Business Plan and decision not to seek a CMA referral of the PR24 Final Determination, including consideration of independent advice from Centrus in respect of financial resilience. Review and challenge by the Board of evidence to support the Going Concern and the Viability Statements. Approval of those statements. Ongoing monitoring of the capital requirements associated with the Havant Thicket Winter Storage Reservoir project and other major network enhancement projects.
Any relevant reports – internal or third-party	All relevant internal and external reports are reviewed by the Board. Of particular interest was the report by the Company's financial auditors (KPMG) and the report on key non-financial information by the assurance provider (Jacobs). The Board challenges management as to the outcome of those reports and tracks performance against any recommendations. The Board also maintains close liaison and a line of communication with the financial auditors and assurance providers via the Audit and Risk Committee. Reports by credit rating agencies are reviewed by the Board.

DIRECTORS' STATEMENTS AND RESPONSIBILITIES

Management resources

Factors	Summary of Board considerations
Management skills, experience and relevant qualifications. Recruitment process, staff engagement	The Board, through the Executive Directors and senior leadership team, assesses the skills, experience, capability and performance of all employees with a particular focus on the management community. The Board receives periodic reports and updates on employee training and development and reviews the results of employee engagement surveys, challenging findings and reviewing any plans to address concerns. The Nomination Committee has oversight of appointment of members of the senior leadership team and makes the final appointment. During the year the Committee has overseen the recruitment and appointment of a new Chief Operating Officer following the retirement of the previous post holder. The need for additional asset management expertise in the context of a much larger capital programme was identified last year. A new Chief Asset Officer joined the business in May 2024 to establish a new Asset Management Directorate. Key appointments to the Asset Directorate senior leadership team have been made and management capabilities extended elsewhere in the organisation in readiness for AMP8.
Succession planning for key management/staff	An independent review of the Board performance was undertaken during 2021 and internal Board evaluation exercises have taken place annually since then. The Board has put into place a programme to address the matters identified during those reviews. The Board, through the Nomination Committee, reviews management papers and plans in relation to succession planning. It also considers the assessment of its own skills mix and has taken action to ensure that the appropriate balance of skills is retained. The key role of Chief Operating Officer was filled during the year, with a full handover from the retiring post holder.
Quality of management/staff induction and other training and development	The Board, through the Executive Directors and senior leadership team, has oversight of employee induction and training activities. The Executive Directors are represented at staff induction sessions. The Board, through the Remuneration Committee, also considers the annual performance of the senior leadership team including development areas and approval of objectives. Working in partnership with DWI, the Company has been implementing an extensive programme of work to improve skills, knowledge and capability within the water production area of the business and this work is overseen by the Board.
Process for ensuring diversity of perspectives	The Board challenges the Executive Directors and senior leadership team to ensure appropriate depth and breadth of thinking and perspective. This includes engagement with wider stakeholder groups and customer engagement activities. The Board regularly has direct contact with other stakeholder groups such as regulators and the Customer Scrutiny Panel (recently renamed the Independent Challenge Group).. An Independent Non-Executive Director attends meetings of he Customer Scrutiny Panel. An independent Non-Executive Director also attends meetings of the Stakeholder Advisory Group for the Havant Thicket Reservoir. The Board, through the Nominations Committee, is responsible for ensuring that the Company policies on equal opportunities, including diversity and inclusion, are adhered to across the business. During the year the Board considered the results from the first EDI staff survey and oversaw the creation of a new People & Culture Group. The Remuneration Committee also reviews the annual Gender Pay Gap report.
Board or management activities, reports or statements	The Board meets six times each year and receives regular management reports. It actively considers and challenges management reports and related information. There is a transparent process of both routine management reporting and reporting on specific matters to the Board. The Board also meets outside the scheduled meetings to consider specific matters as required. For example, the Board created a steering group to provide oversight to the PR24 programme and another steering committee holds monthly meetings on the Havant Thicket Reservoir Project. A new ESG Committee has recently been formed to ensure appropriate focus, and to benefit from the expertise of our non-executive directors in this area. The Board is content that it has access to and has considered all relevant management reports.
Independence of Board	Independent Non-Executive Directors are the largest single group on the Board, consistent with Ofwat's principles on Board Leadership, Transparency and Governance. The Chair is independent of management and investors. The Board has visited the Havant Thicket Reservoir site and has met the Defra Secretary of State, Ofwat Chair and other key stakeholders there. The independent Non-Executive Directors have also visited the company's production sites and met with the operations team.

Systems of planning and internal control

Factors	Summary of Board considerations
Governance procedures; risk management frameworks, oversight procedures **Internal and/or external audit policies, processes, activities and/or reports**	The Board has considered the Company's robust framework of governance, risk management and internal controls. The Board considers the Company's top risks and discusses emerging and related risk mitigations. The Board also reviews and tracks the outcomes of external assurance (financial and non-financial) To continue to enhance Risk Management within the business, the board approved the appointment of the company's first Internal Audit Manager, who is setting up an internal Audit function. A new Enterprise Risk Management (ERM) system is also being implemented to further improve risk management across the organisation in readiness for AMP8. The Board, through the Audit and Risk Committee, annually reviews the approach to regulatory reporting and assurance and considers the outcomes of that assurance in approving the Annual Performance Report. It reviews the outcome of third-party assurance and management's response to any identified control weaknesses. It tracks implementation of control recommendations.
Systems for maintaining supply/ business continuity	The Company has in place incident management plans for maintaining supply to customers. The Board receives reports of any significant operational issues arising and considers the effectiveness of the Company response and lessons learned. The Board periodically considers the Company's business continuity/disaster recovery framework. It notes the findings of the Company's auditors that some aged systems do not have disaster recovery plans and that this will be addressed through the upgrading of core systems as part of the AMP8 plan.
Policies to prevent fraud and other unethical behaviour; whistleblowing policy	The Company has clear policies on behaviour, values and fraud - these are revised periodically by the Board. The Company also operates key systems of internal control designed to prevent and detect fraud and the Board carefully reviews any internal control recommendations made by the external auditors or failings identified through operational reports. The Board considers that it leads from the top in terms of reinforcing the Business's purpose, ethics and values.
Risk, compliance other assurance statements	The Board reviews and approves the Company's Risk and Compliance statement as part of the approval of the Annual Performance Report. As noted above the Board leads the process of assessing and managing risk. The Board, through the Audit and Risk Committee, assesses the requirements, appropriateness and outcome of formal assurance processes, particularly the approval of the Annual Report & Accounts and the Annual Performance Report. The Company has whistleblowing, anti-bribery and corruption, fraud, data protection, conflicts of interest and cyber-security policies in place, and employees confirm compliance and complete training on these at least annually.

Rights and resources other than financial resources

Factors	Summary of Board considerations
Corporate purpose, vision and values	As part of the preparations for PR24, the Board oversaw work to update the Company Purpose. The Company's Purpose is developed from and underpinned by the Company's "Vision" and "Values". Further details of the updated purpose and vision are included in our Annual Report. During the past year the Company updated its Articles of Association to set an object that it will conduct business and operations so that they have a positive impact on, and deliver long-term value for its customers, communities and environment. The Board assesses behaviours throughout the business in a number of ways including reviewing the results of Company-wide staff surveys and regular monthly management reporting. The Board and the senior leadership team place great emphasis on operating at all times in line with the Company's purpose and values. This is promoted throughout the business, monitoring performance and addressing behaviours not felt to be in line with these values.
Technology and other systems for ensuring checks and balances **Policies to encourage an integrated approached and 'systems thinking'** **Planning systems**	The Company has a comprehensive range of technology and systems used to ensure effective monitoring and control of key operating activities. The Board encourages a process of continuous improvement. This includes systems used for planning and delivering all the Company's key activities such as production, distribution, capital investment, billing and account management and finance. The Chief Information Officer is a member of the senior leadership team meetings to ensure that an integrated approach is taken across the business to systems and processes.
Assets maintenance/insurance factors	As part of the PR24 Business Plan process the Company assessed asset health, risk and resilience and this informed the asset maintenance programme for future periods. The Board considered the proposals for asset maintenance for AMP8 as part of their scrutiny and sign off of the PR24 Business Plan and their decision not to refer the PR24 Final Determination to the CMA. The Board has overseen the creation of a new Asset Management Directorate and investment in key systems to support optimisation of our investment programme. Appropriate insurance is maintained by the Company. The Board reviewed the annual insurance renewal proposals including an assessment of any areas where insurance cover is not taken/available and the related risk.

DIRECTORS’ STATEMENTS AND RESPONSIBILITIES

Contracting

Factors	Summary of Board considerations
Position/status of key contracts in place	As part of governance processes the Board considers and approves all material contracts entered into by the Company in line with the agreed corporate approval matrix. During the year the Board has been closely involved with the refresh of our supply chain for AMP8. The Board is closely involved in providing oversight, strategic direction, and challenge of the Havant Thicket project. It is closely involved in the process to develop the scope of the project to align with Southern Water’s recycling proposals.
All contracts between the Appointee and all Associated Companies were checked for compliance with licence requirements on standards **Note on transactions between the Appointee and any Associated Company** **Compliance with licence provision on cross-subsidies between the Appointee and any Associated Company (Condition I).** **No Guarantees or Cross-Default Obligations given without Ofwat’s written consent.**	The Company has limited contracting activities with related parties. The Board reviews and approves the disclosure of transactions between the Company and “Associated Companies” as part of the approval of the Annual Performance Report. The Board has not identified any instances of non-compliance with licence conditions in relation to Associated Companies, including cross subsidies, nor has it approved any new guarantees or cross-default obligations.

Other material issues or circumstances

Factors	Summary of Board considerations
Havant Thicket Winter Storage Reservoir (HTWSR)	The HTWSR project represents a significant programme of work for the business due to its size relative to the Company’s Regulatory Capital Value. The Board remains closely involved in the oversight of this programme and has representation on the HTWSR Steering Committee. The Board has maintained oversight of the development of the project, and is closely involved in the process to develop the scope of the project to align with Southern Water’s water recycling proposals. During the year, the Board, including non-executive directors who do not sit on the steering committee, had standalone meetings to consider risk management within the Havant Thicket Reservoir Project. Going concern analysis presented to the Board as part of the Annual Report and Accounts provides assurance that the company has sufficient financial resources for the next twelve months and in providing that assurance the Board has taken full account of the future financing requirements of the programme. Further detail in relation to the HTWSR project is set out on pages 182 to 189.

Licence Derogation – Credit Ratings

In May 2023 Ofwat modified the ring fencing provisions in the licences of all water undertakers to include a requirement to maintain an Investment Grade Issuer Credit Rating with at least two Credit Rating Agencies, other than where Ofwat provides its written agreement for the Appointee to maintain only one Issuer Credit Rating.

In July 2023 Portsmouth Water sought Ofwat agreement for a derogation of this requirement on the basis that, for a small company, the costs of maintaining two credit ratings were disproportionate to the benefits, that there are additional financial protections contained within our financing structure, and that additional information would be provided to Ofwat in the form of our Investor Report. Having considered the evidence provided, Ofwat provided its consent to maintain one issuer credit rating for a period of five years in a letter dated 14 July 2023. This consent is subject to provision of Investor Reports to Ofwat, and of there being no material change in the rating analysis from the Credit Rating Agency and no material change in our financial standing or operational performance.

We can confirm that through the relevant period we have maintained a single issuer credit rating from Moody's, and that we comply with the conditions attached to Ofwat's licence derogation.

A formal ring-fencing certificate together with supporting appendices, will be separately provided to Ofwat, in line with our requirements under Condition P of our licence.

Statement of Compliance of Licence Condition K - disposal of protected land

No disposals of land have taken place in Portsmouth Water during the year. Consequently, the Directors are of the opinion that the Company complies with paragraph 4.3 (1) (g) of Condition K of its licence as there have been no such transactions during the year.

Statement of Compliance with Regulatory Accounting Guideline 5 - Related Party Transactions

The Directors hereby certify that, in their opinion, Portsmouth Water Limited complies with the objectives and principles of the Regulatory Accounting Guideline 5, in so far as they apply to the Company. Transactions with associated companies are at arm's length and cross subsidy is not occurring. Details of all transactions with associates are provided on pages 173 to 174 of this document.

Licence condition G: customer focus

In February 2024 Ofwat introduced a new customer-focused licence condition designed to help ensure companies are focused on meeting customers' needs and encourage the very best service for customers. It requires companies to develop or have in place policies and approaches to meet Ofwat's principles for customer care.

We are committed to communicating openly and honestly with out customers at all times and have an ongoing programme of insight to ensure we understand the range of perspectives of our customer base. During the last year we have significantly increased our customer engagement and communications this year, introducing new bill designs, updated processes and new communication channels. We also ran a number of focus groups to ensure our communication for our smart meter programme is clear and simple and established an internal group using a cross section of staff to review our customer communications and interactions.

Operationally, we have begun using digital message signage. The signage supports drivers to use alternative routes and allows us to provide other messages, such as updates on progress.

We offer a wide range of contact channels for our customers, and with the introduction of our Kraken billing platform we have significantly extended our digital capabilities for those customers who wish to interact with us digitally. We recognise that many customers prefer to speak to an advisor and we continue to operate an in-area contact centre, with knowledgeable staff who live in the area served by the company.

We recognise that we won't always get things right and we will always work hard to put things right. In CCWater's most recent complaints report, we are one of only two companies assessed as 'good' for complaints handling, reflecting the low level of complaints not resolved by the company and escalated to CCWater.

To ensure we are providing the right support to our most vulnerable customers, our Customer Scrutiny Panel has established a sub-group to focus on vulnerability, drawing on the specialist expertise of panel members. 87% of representatives of local support organisations said they were satisfied or very satisfied with the service we provide to support customers in vulnerable circumstances (target 85%). During the year we published our draft vulnerability strategy and will publish the final version in June 2025.

Our water bills remain the lowest in England and Wales and we are committed to keeping our bills affordable for all. We continue to support for those struggling to pay, with 15,051 customers helped by our social tariff during the year an increase of 11%. We also continued to offer a range of other assistance and collaborated with local housing associations and advice agencies to make sure those most at risk are aware of the support available

DIRECTORS' STATEMENTS AND RESPONSIBILITIES

Statement on Risk and Compliance

The Directors confirm that the Company, in their opinion:

- has a full understanding of, and is meeting, all its relevant statutory, licence and regulatory obligations and has taken steps to understand and meet customer expectations;
- has satisfied itself that it has sufficient processes and internal systems of control to fully meet its obligations; and
- has appropriate systems and processes in place to allow it to appropriately identify, manage, mitigate and review its risks.

In particular, the Directors confirm that the Company:

- has sufficient rights and assets available to enable a special administrator to run the business;
- trade with associates is at arm's length;
- publishes a statement explaining the links between directors' pay and standards of performance; and,
- maintains an investment grade credit rating.

The risk management, monitoring and control systems and processes upon which the Directors rely in making this statement are described in the Company's Annual Report and Accounts.

Statement on accuracy and completeness of data and information

The Board recognises the importance of providing information to customers and other stakeholders that is: customer-led, relevant, reliable, complete, accurate, objective, understandable and timely. Our ongoing objective is to make information available that is easy to understand, and which enables stakeholders to see how we are performing. This helps build trust and confidence in the business.

The Board recognises the importance of high quality and transparent reporting of the key business measures that customers and stakeholders use to monitor our performance. This is key to establishing trust and legitimacy in the industry. This information is primarily reported through this Annual Performance Report.

To ensure that all stakeholders, including Ofwat, can rely on the data that we publish we have worked to operate and embed a three lines of defence assurance model.

- The first line of defence is the data producers and owners, who have primary responsibility for the accuracy of the data they report. All data is produced in accordance with documented methodologies and is subject to sign off by the relevant senior manager and executive.
- The Data & Insight team provide a second level of internal assurance, independently reviewing and challenging the data to be reported.
- Independent external assurance represents the third line of defence. For 2024-25 we engaged Jacobs to ensure our non-financial data and our statutory auditors KPMG to assure our regulatory accounts and other financial data.

The Audit and Risk Committee oversee the assurance process on behalf of the Board, and the committee hears directly from the independent third-party assurers, including taking the opportunity to have discussions with the assurers without management being present.

Based on the assurances it has received from management and the external assurance providers, the Board is satisfied that the Company has in place appropriate processes and internal systems of control to enable it to report on its performance with an appropriate degree of reliability, accuracy and completeness.

This statement includes a summary of the activities which the Board has carried out to support the statement on the completeness of data and information.

How the Board has engaged and challenged on the assurance approaches which have been taken

The Board encourages a culture of openness, accuracy and transparency in data reporting across the business. The Board engages in challenging assurance processes in a number of ways as follows:

- Regular reporting to the Board on key performance indicators, including performance commitments and the capital investment programme. In addition to the Annual Performance Report, the Board also reviews data for the Annual Report and Accounts, Investor Report and related half-year reporting.
- The Board, through the Audit and Risk Committee, reviews the outcome of all data assurance activities undertaken for the APR. The Audit and Risk Committee receives reports from external independent assurance providers, considers the results and tracks the rectification of any control weaknesses identified.
- The Board, through the Audit and Risk Committee has close oversight over both the performance of third-party assurance providers and the appointment of those parties. A competitive tender exercise was run during 2020-21 in relation to financial assurance and a similar exercise was completed in 2019-20 in relation to technical assurance. The contract for technical assurance is being retendered for the 2025-2030 regulatory period, with the Audit and Risk Committee overseeing the appointment process.
- A regular risk identification, assessment and mitigation process, is performed across the business and updated in the risk register. This includes challenge and oversight by the executive directors and senior leadership team before review by the Board.

How the Board has taken action to ensure that any exceptions and weaknesses in the assurance approaches have been addressed

The Risk and Compliance Statement above, confirms that the Board has complied with its relevant statutory, licence and regulatory obligations, has adequate internal controls and is taking appropriate steps to manage and/or mitigate any risks it faces.

- The Board, through the Audit and Risk Committee, has considered the results of the data assurance process and has discussed the outcomes with the independent assurance providers – Jacobs and KPMG.
- The Board, through the Audit and Risk Committee, has been made aware of any control weaknesses or failures during the year and has challenged the impact and the business response to such weaknesses.
- The Audit and Risk Committee also tracks any remediation of control deficiencies including improvement in the documentation of processes.
- All key regulatory data submissions are made with the specific approval of the Board. The Chief Financial Officer has specific responsibility to the Audit and Risk Committee for statutory reporting and regulatory reporting.

How the Board has satisfied itself that the approaches have appropriately identified and addressed any risks to the provision of accurate and complete data and information in particular areas

In addition to these internal process improvements, we use appropriately qualified and experienced external auditors and technical assurers to review our methods, systems and processes for reporting key data and information. In particular, Jacobs provide assurance on technical elements of our regulatory submissions, and our financial auditors, KPMG, audit our key financial data.

Over the last twelve months the company, with oversight from the Audit and Risk Committee on behalf of the Board, has continued to make further improvements to the processes for reporting regulatory data. These include:

- Earlier engagement with Jacobs on assurance planning providing access to a wider range of auditors, allowing for rotation of the audit personnel, providing new insights and challenge;
- Carrying our additional process audits ahead of the year end, based on an updated risk assessment;
- A focus on 'right first time' with fewer post-audit changes required to data, commentary and methodologies.

In addition, third party external assurance over our control framework is provided by BDO. To further strengthen our internal controls we have establluished an internal audit function during the year.

This process is the responsibility of the Audit and Risk Committee and is signed off by the Chair of the Audit and Risk Committee and Chief Financial Officer, after appropriate Board consultation.

How the Board has utilised individual directors and committees in carrying out its activities in this area

The Company operates through a formal Board structure. A regular risk identification, assessment and mitigation process, is performed across the business, with robust challenge from the executive team undertaken before being submitted to the Audit and Risk Committee for review.

DIRECTORS' STATEMENTS AND RESPONSIBILITIES

The Board:

- monitors compliance with the obligations of the Company under its licence as a water undertaker;
- considers material financing and investment decisions;
- reviews monthly reports of key management information, including performance commitments;
- reviews the role of insurance in managing risks;
- reviews and approves financial budgets and emerging financial results;
- reviews and scrutinises the Company's business plans; and,
- assesses the risk management and control arrangements including risk reporting.

The Audit and Risk Committee is chaired by an independent non-executive director with appropriate finance qualifications and experience and extensive assurance experience. The Audit and Risk Committee:

- oversees the work undertaken by our independent assurers, Jacobs and KPMG, and receives reports from these assurers;
- reviews and where appropriate, approves non-audit services undertaken by the statutory auditor;
- considers reports from management and external auditors on the system of internal control and any material control weaknesses identified;
- discusses with management the actions taken on any problem areas identified by the Board members and management or in the external audit reports; and
- The Chair of the Committee reports the outcome of the Audit and Risk Committee Meetings to the Board and the Board receives the minutes of all Audit Committee meetings.

Further information on the Audit and Risk Committee, including a summary of the activities undertaken by the Committee during the year is included in our Annual Report & Accounts for 2024-25.

Signed on 25th June 2025 by:

Mr. C. Deacon
Independent Chair

Dr. L. Stoimenova
Independent Non-Executive Director

Mrs. S. Darcy
Independent Non-Executive Director

Mr. C. R. Taylor
Chief Executive Officer

Mr. J. C. Milner
Chief Financial Officer

Mr. C. Loughlin
Investor Representative

Section 1

REGULATORY FINANCIAL REPORTING

REGULATORY FINANCIAL REPORTING

1A INCOME STATEMENT

Table 1A - Income statement for the 12 months ended 31 March 2025

£m	Note	Statutory	Adjustments			Total appointed activities	RAG 4 reference
			Differences between statutory and RAG definitions	Non-appointed	Total adjustments		
Revenue	2	49.596	1.065	0.319	0.746	50.342	1A.1
Operating costs	3	(43.236)	0.166	(0.134)	0.301	(42.936)	1A.2
Other operating income	4	(0.026)			-	(0.026)	1A.3
Operating profit		6.334	1.231	0.185	1.046	7.380	1A.4
Other income	5	-	1.573		1.573	1.573	1A.5
Interest income	6	4.056			-	4.056	1A.6
Interest expense	7	(9.933)	(9.319)		(9.319)	(19.252)	1A.7
Other interest income	6	-			-	-	1A.8
Profit before tax and fair value movements		0.457	(6.514)	0.185	(6.699)	(6.242)	1A.9
Fair value gains/(losses) on financial instruments		1.248	-	-	-	1.248	1A.10
Profit before tax		1.705	(6.514)	0.185	(6.699)	(4.994)	1A.11
UK Corporation tax	8	-	-	-	-	-	1A.12
Deferred tax	8	(0.567)	-	-	-	(0.567)	1A.13
Profit for the year		1.138	(6.514)	0.185	(6.699)	(5.561)	1A.14
Dividends	9	(3.223)	-	-	-	(3.223)	1A.15
Tax analysis							
Current year	8	-	-	-	-	-	1A.16
Adjustments in respect of prior years	8	-	-	-	-	-	1A.17
UK Corporation tax		-	-	-	-	-	1A.18

Analysis of non-appointed revenue	Non-appointed	RAG 4 reference
Imported sludge	-	1A.19
Tankered waste	-	1A.20
Other non-appointed revenue	0.319	1A.21
Revenue	0.319	1A.22

1B STATEMENT OF COMPREHENSIVE INCOME

Table 1B - Statement of comprehensive income for the 12 months ended 31 March 2025

£m	Note	Statutory	Adjustments			Total appointed activities	RAG 4 reference
			Differences between statutory and RAG definitions	Non-appointed	Total adjustments		
Profit for the year		1.138	(6.514)	0.185	(6.699)	(5.561)	1B.1
Actuarial gains/(losses) on post-employment plans	22	0.818	-	-	-	0.818	1B.2
Other comprehensive income	20	0.389	-	-	-	0.389	1B.3
Total Comprehensive income for the year		2.345	(6.514)	0.185	(6.699)	(4.354)	1B.4

REGULATORY FINANCIAL REPORTING

1C STATEMENT OF FINANCIAL POSITION

Table 1C - Statement of financial position for the 12 months ended 31 March 2025

£m	Note	Statutory	Adjustments			Total appointed activities	RAG 4 reference
			Differences between statutory and RAG definitions	Non-appointed	Total adjustments		
Non-current assets							
Fixed assets	10	334.273	(22.353)	-	(22.353)	311.920	1C.1
Intangible assets	11	26.845	(2.063)	-	(2.063)	24.782	1C.2
Investments - loans to group companies	12	-	-	-	-	-	1C.3
Investment properties	12	-	-	-	-	-	1C.4
Financial instruments	22	-	-	-	-	-	1C.5
Retirement benefit assets	23	-	-	-	-	-	1C.6
Total		361.118	(24.416)	-	(24.416)	336.702	1C.7
Current assets							
Inventories		0.570	-	-	-	0.570	1C.8
Trade & other receivables	13,14	23.585	-	-	-	23.585	1C.9
Financial instruments		1.171	-	-	-	1.171	1C.10
Cash & cash equivalents	15	50.775	-	0.627	(0.627)	50.148	1C.11
Total		76.101	-	0.627	(0.627)	75.474	1C.12
Current liabilities							
Trade & other payables	17	(20.220)	0.163	-	0.163	(20.058)	1C.13
Capex creditor	17	(11.337)	-	-	-	(11.337)	1C.14
Borrowings	16	(29.636)	-	-	-	(29.636)	1C.15
Financial instruments	22	(0.603)	-	-	-	(0.603)	1C.16
Current tax liabilities	17	-	-	-	-	-	1C.17
Provisions	17	-	-	-	-	-	1C.18
Total		(61.797)	0.163	-	0.163	(61.634)	1C.19
Net Current assets/(liabilities)		14.304	0.163	0.627	(0.464)	13.840	1C.20
Non-current liabilities							
Borrowings	18	(226.576)	-	-	-	(226.576)	1C.22
Financial instruments	22	(0.000)	-	-	-	(0.000)	1C.23
Retirement benefit obligations		-	-	-	-	-	1C.24
Provisions		-	-	-	-	-	1C.25
Deferred income - G&C's	19	(34.717)	5.947	-	5.947	(28.770)	1C.26
Deferred tax	20	(9.299)	-	-	-	(9.299)	1C.29
Total		(270.592)	5.947	-	5.947	(264.645)	1C.30
Net assets		104.830	(18.306)	0.627	(18.933)	85.897	1C.31
Equity							
Called up share capital	21	81.078	-	-	-	81.078	1C.32
Retained earnings & other reserves	21	23.752	(18.306)	0.627	(18.933)	4.818	1C.33
Total Equity		104.830	(18.306)	0.627	(18.933)	85.897	1C.34

REGULATORY FINANCIAL REPORTING

1D STATEMENT OF CASHFLOWS

Table 1D - Statement of cashflows for the 12 months ended 31 March 2025

£m	Note	Statutory	Adjustments: Differences between statutory and RAG definitions	Adjustments: Non-appointed	Adjustments: Total adjustments	Total appointed activities	RAG 4 reference
Operating activities							
Operating profit		6.334	1.231	0.185	1.046	7.380	1D.1
Other income		-	1.573	-	1.573	1.573	1D.2
Depreciation		6.882	-	-	-	6.882	1D.3
Amortisation - G&C's		(0.749)	(2.638)	-	(2.638)	(3.387)	1D.4
Changes in working capital		(2.904)	(0.166)	-	(0.166)	(3.070)	1D.5
Pension contributions		0.842	-	-	-	0.842	1D.6
Movement in provisions		-	-	-	-	-	1D.7
Profit on sale of fixed assets		0.026	-	-	-	0.026	1D.8
Cash generated from operations		10.431	0.000	0.185	(0.184)	10.246	1D.9
Net interest paid		(4.014)	-	-	-	(4.014)	1D.10
Tax paid		-	-	-	-	-	1D.11
Net cash generated from operating activities		6.417	0.000	0.185	(0.184)	6.232	1D.12
Investing activities							
Capital expenditure		(78.931)	-	-	-	(78.931)	1D.13
Grants & Contributions		1.242	-	-	-	1.242	1D.14
Disposal of fixed assets		-	-	-	-	-	1D.15
Other		89.934	-	-	-	89.934	1D.16
Net cash used in investing activities		12.246	-	-	-	12.246	1D.17
Net cash generated before financing activities		18.662	0.000	0.185	(0.184)	18.478	1D.18
Cashflows from financing activities							
Equity dividends paid		(3.223)	-	-	-	(3.223)	1D.19
Net loans received		9.377	-	-	-	9.377	1D.20
Cash inflow from equity financing		-	-	-	-	-	1D.21
Net cash generated from financing activities		6.154	-	-	-	6.154	1D.22
Increase (decrease) in net cash		24.816	0.000	0.185	(0.184)	24.632	1D.23

REGULATORY FINANCIAL REPORTING

1E NET DEBT ANALYSIS (APPOINTED ACTIVITIES)

Table 1E - Net debt analysis (appointed activities) at 31 March 2025

	*Fixed rate	Floating rate	Index linked		Total	RAG 4 reference
			RPI	CPI/CPIH		
Interest rate risk profile	£m	£m	£m	£m	£m	
Borrowings (excluding preference shares)	30.283	0.502	147.416	80.340	258.541	1E.1
Preference share capital					-	1E.2
Total borrowings	30.283	0.502	147.416	80.340	258.541	1E.3
Cash					(50.775)	1E.4
Short term deposits					-	1E.5
Net Debt					207.766	1E.6
Gearing						
Gearing					38.00%	1E.7
Adjusted Gearing - excluding intercompany debt					32.51%	1E.8
Interest						
Full year equivalent nominal interest cost	1.510	0.068	10.152	4.081	15.810	1E.9
Full year equivalent cash interest payment	1.510	0.068	5.172	2.052	8.802	1E.10
Indicative interest rates						
Indicative weighted average nominal interest rate	4.986%	13.479%	6.887%	5.079%	6.115%	1E.11
Indicative weighted average cash interest rate	4.986%	13.479%	3.508%	2.554%	3.404%	1E.12
Time to maturity						
Weighted average years to maturity	1.224	167.665	7.000	12.000	8.189	1E.13

* Includes Debenture Stock of £0.2m, which is perpetual debt, and an intra-group subordinated creditor of £30m.

REGULATORY FINANCIAL REPORTING

Differences between borrowings in Table 1E and Table 1C
The difference between total borrowings reported in Table 1C and those reported in 1E is £2.9m. This consists of deferred arrangement fees and loan refinance fees, shown in the table below:

	B/S Table 1C	Gearing Table 1E	Difference
Finance Lease liability	1,071	1,070	1
RPI-CPI swap	603	603	-
Interest rate swap (asset)	(1,171)	(1,171)	-
Debt Total Facility Fees			
Deferred arrangement fees	(5,410)	-	(5,410)
Accrued finance fees	2,511	-	2,511
Debenture loans	283	283	-
Bank Loan	147,416	147,416	-
CPI Bond	80,340	80,340	-
Intra-group loan	30,000	30,000	-
	255,643	**258,541**	**(2,898)**

Adjusted Gearing
For banking covenant purposes, gearing is calculated excluding the fixed rate intercompany loan of £30m.

REGULATORY FINANCIAL REPORTING

1F FINANCIAL FLOWS

Table 1F - Financial flows for the 12 months ended 31 March 2025
(2017-18 financial year average CPIH)

	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	RAG 4 reference
		%			£m		
Return on regulatory equity							
Regulatory equity £m	85.771	85.771	111.431	85.771	85.771	111.431	1F.1
Return on regulatory equity	4.24%	5.51%	4.24%	3.635	4.723	4.723	1F.2
Financing							
Impact of movement from notional gearing		-1.27%	0.01%		(1.087)	0.012	1F.3
Gearing benfits sharing		0.00%	0.00%		-	-	1F.4
Variance in corporation tax		1.48%	1.14%		1.266	1.266	1F.5
Group relief		0.00%	0.00%		-	-	1F.6
Cost of debt		-0.33%	-0.32%		(0.282)	(0.356)	1F.7
Hedging instruments		0.00%	0.00%		-	-	1F.8
Return on regulatory equity including Financing adjustments	4.24%	5.39%	5.07%	3.635	4.619	5.645	1F.9
Operational Performance							
Totex out / (under) performance		2.66%	2.05%		2.283	2.283	1F.10
ODI out / (under) performance		-0.83%	-0.64%		(0.716)	(0.716)	1F.11
C-Mex out / (under) performance		0.29%	0.23%		0.253	0.253	1F.12
D-Mex out / (under) performance		0.00%	0.00%		-	-	1F.13
Retail out / (under) performance		-2.33%	-1.80%		(2.002)	(2.002)	1F.14
Other exceptional items		0.00%	0.00%		-	-	1F.15
Operational performance total		-0.21%	-0.16%		(0.182)	(0.182)	1F.16
RoRE (return on regulatory equity)	4.24%	5.17%	4.90%	3.635	4.437	5.463	1F.17
RCV growth from inflation	3.45%	3.45%	3.45%	2.959	2.959	3.844	1F.18
Voluntary sharing arrangements		0.00%	0.00%		-	-	1F.19
Total shareholder return	7.69%	8.62%	8.35%	6.594	7.396	9.308	1F.20
Dividends							
Gross Dividend	4.19%	2.92%	2.25%	3.594	2.506	2.506	1F.21
Interest Received on Intercompany loans	0.00%	0.00%	0.00%	-	-	-	1F.22
Retained Value	3.50%	5.70%	6.10%	3.000	4.891	6.802	1F.23
Cash impact of 2015-20 performance adjustments							
Totex out / under performance		-0.85%	-0.65%		(0.726)	(0.726)	1F.24
ODI out / under performance		-0.19%	-0.15%		(0.166)	(0.166)	1F.25
Total out / under performance		-1.04%	-0.80%		(0.892)	(0.892)	1F.26

REGULATORY FINANCIAL REPORTING

1F FINANCIAL FLOWS

Table 1F - Financial flows average for the years 2020-2025
(2017-18 financial year average CPIH)

	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	RAG 4 reference
		%			£m		
Return on regulatory equity							
Regulatory equity £m	87.556	87.556	57.415	87.556	87.556	57.415	1F.1
Return on regulatory equity	4.19%	2.75%	4.19%	3.672	2.408	2.408	1F.2
Financing							
Impact of movement from notional gearing		1.44%	0.39%		1.264	0.222	1F.3
Gearing benfits sharing		0.00%	0.00%		-	-	1F.4
Variance in corporation tax		1.14%	1.74%		0.997	0.997	1F.5
Group relief		0.00%	0.00%		-	-	1F.6
Cost of debt		-1.95%	-3.34%		(1.704)	(1.916)	1F.7
Hedging instruments		0.00%	0.00%		-	-	1F.8
Return on regulatory equity including Financing adjustments	4.19%	3.39%	2.98%	3.672	2.965	1.711	1F.9
Operational Performance							
Totex out / (under) performance		0.82%	1.25%		0.717	0.717	1F.10
ODI out / (under) performance		-0.31%	-0.47%		(0.269)	(0.269)	1F.11
C-Mex out / (under) performance		0.22%	0.34%		0.196	0.196	1F.12
D-Mex out / (under) performance		0.07%	0.10%		0.057	0.057	1F.13
Retail out / (under) performance		-1.09%	-1.66%		(0.951)	(0.951)	1F.14
Other exceptional items		-1.14%	-1.73%		(0.994)	(0.994)	1F.15
Operational performance total		-1.42%	-2.17%		(1.244)	(1.244)	1F.16
RoRE (return on regulatory equity)	4.19%	1.97%	0.81%	3.672	1.721	0.467	1F.17
RCV growth from inflation	5.56%	5.56%	5.56%	4.866	4.866	3.191	1F.18
Voluntary sharing arrangements		0.00%	0.00%		0.00%	0.00%	1F.19
Total shareholder return	9.75%	7.52%	6.37%	8.539	6.587	3.658	1F.20
Dividends							
Gross Dividend	4.19%	2.98%	4.54%	3.669	2.606	2.606	1F.21
Interest Received on Intercompany loans	0.00%	-0.97%	-1.48%	-	(0.852)	(0.852)	1F.22
Retained Value	5.56%	5.52%	3.32%	4.870	4.833	1.904	1F.23
Cash impact of 2015-20 performance adjustments							
Totex out / under performance		-0.78%	-1.19%		(0.683)	(0.683)	1F.24
ODI out / under performance		-0.18%	-0.27%		(0.157)	(0.157)	1F.25

Basis of preparation

In preparing the table 1F Financial Flows the following should be noted:

- The notional returns on Regulatory Equity are taken from the Ofwat Financial Flows Data source file, as well as the RCV growth percentage.
- The notional regulatory equity values are taken from Ofwat's document 'RCV_PR19_2025_Overall-1-2'.
- The gearing and cost of debt calculations use the year-end RCV numbers published by Ofwat in 'PR19RCV-PRT-with-Midnight-adj-2 '.
- The gearing calculation adjusts the actual return on net debt by average CPIH for 2024/25.
- Actual returns include exceptional items, which are very small in the current year.

Variances between the Final Determination and the results for 2024/25

We have considered the significant variances arising between the return assumed in the Final Determination and the actual return for 2024/25. In overall terms the actual total shareholder return is £9.3m and the dividend paid is £2.51m, compared to the notional total shareholder return of £6.60m and notional dividend paid of £3.60m, based upon the Final Determination.

The material differences are driven by:

- Gearing lower than the notional company after the midnight adjustment.
- Lower corporation tax charges than assumed in the Final Determination
- Higher cost of debt than allowed in the Final Determination
- Wholesale operational underperformance.
- Retail operational underperformance
- ODI penalties relating to the year (including C-Mex and D-Mex)

Gearing

Actual average gearing of 38%, after the midnight adjustment, is below the notional gearing of 60% by 22 percentage points. This has two implications. Firstly, it results in a higher regulatory Equity Base as regulatory equity % (the reciprocal of gearing) is lower in the actual structure (actual equity 62% vs notional equity of 40%). Secondly, it results in a adverse due to the cost of debt being lower than the cost of equity.

Gearing Benefits Sharing

The threshold for this adjustment is 70% in 2024/25. Portsmouth Water's year end gearing is 38%, which is below this threshold.

Corporation Tax

The reconciliation below, in 2017/18 prices, sets out the key reasons for the lower tax charge outturn relative to the FD. This is primarily driven by a trading loss as a result of high loan interest costs, resulting in zero tax charges for the year. Further explanation of the tax reconciliation (in current year price base) has been included in note 8.

2017-18 price base	£'000	£'000
Allowed Corporation Tax Charge in Final Determination	-	177
Tax payable on loss at the standard rate of Corporation Tax 25%	(1,213)	-
Adjusted for the tax impact of:		
Timing differences on capital allowances	124	-
Prior year adjustments	-	-
	-	(1,090)
Difference (favourable)	-	1,266

Cost of Debt

The Company's actual real cost of debt is 2.6% (mainly index linked debt) and exceeds the allowed cost of debt of 2.42% (as published by Ofwat), and together with the higher gearing levels this results in a £2.31m reduction in financial returns.

Totex Performance

The 2024/25 variance on capital expenditure is £3.1m (outperformance), after an adjustment for timing differences of £8.3m. The timing differences are due to the catch-up necessary to complete the AMP7 plan after the Covid restrictions in place in 2020/21. The customer cost sharing percentages are then applied to these variances. The cost sharing percentages are published by Ofwat in the Financial Flows source file.

See commentary relating to table 4D on page 141 for more details on the Totex expenditure variance to FD.

Retail out/under performance

The 2024/25 Household Retail expenditure is above the FD and was driven by a combination of factors which are explained further in the narrative for the Retail Price Control on page 120.

ODI rewards and penalties (including C-Mex and D-Mex)

There are a number of ODI rewards and penalties relating to 2024/25. They are mainly paid on an inperiod basis (within AMP7 as opposed to the end of AMP7), except the PCC ODI, and none of them have an impact on the RCV. The total net penalties for the year amount to -£0.72m, in 2017/18 prices. See Section 3 for more details.

The C-Mex and D-Mex rewards are not reported in the year, in table 1F, but are reported one year in arrears. Therefore, the values in the table relate to 2023/24, and these are published by Ofwat in the Financial Flows data source file.

REGULATORY FINANCIAL REPORTING

RECONCILIATION BETWEEN STATUTORY ACCOUNTS AND REGULATORY ACCOUNTS

For the year ended 31 March 2025

	Statutory £'000	Regulatory £'000	Commentaries
Income statement			
Revenue	49,596	50,342	See a) below
Operating profit	6,334	7,380	See b) below
Statement of financial position			
Tangible fixed assets (net book value)	334,273	311,921	See c) below
Intangible fixed assets (net book value)	26,845	24,782	See c) below

a) The difference relates to the way these figures have been presented in both sets of accounts, as well as the inclusion of non-appointed business in the ARA. In the ARA, this figure includes all income from Grants and Contributions, but in the APR this is classified as Other Income. In addition, the ARA includes non-appointed revenue, of which £0.122m is meter reading revenue relating to the non-household business, which is a Retail activity, and Portsmouth Water sold the Retail non-household business on 1 April 2017. The rest of the non-appointed income is for Commercial services.

An amount of Havant Thicket bulk supply income from Southern Water has been recognised in the APR, and this is different form the amount recognised in the ARA.

	£'000
Statutory revenue	49,596
Amortisation of Developer Contributions	(703)
Income from Connection Charges	(862)
Income from Mains Diversions	(8)
Non-appointed revenue	(197)
Non-appointed meter reading revenue	(122)
Void debt provision	-
Havant Thicket bulk supply revenue	2,638
	50,342

b) The difference relates to the way these figures have been presented in both sets of accounts, as well as the inclusion of non-appointed business in the ARA. Income from Grants and Contributions is reported as Other Income in the APR, but is reported as Revenue in the ARA. The breakdown of income is shown below.

There is non-appointed operating profit of £0.185m which relates to the Commercial business, as well as a number of other non-appointed items relating to rental properties and the sold non-household business.

The provision made in the ARA of £0.166m to offset the innovation allowed revenue is excluded in the APR.

	£'000
Statutory operating profit	6,334
Amortisation of Developer Contributions	(703)
Income from Connection Charges	(862)
Income from Mains Diversions	(8)
Non-appointed commercial revenue	(197)
Non-appointed commercial costs	102
Non-appointed meter reading revenue	(122)
Non-appointed rents receivable	(23)
Non-household meter reading costs	55
Innovation cost provision	166
Havant Thicket bulk supply revenue	2,638
Regulatory operating profit	7,380

c) The difference in the Tangible and Intangible Fixed Assets net book values relates to the accounting treatment of borrowing costs for the Havant Thicket project and Development projects. These have been capitalised in the ARA, but this treatment is not allowed in the Regulatory Accounts.

	£'000
Statutory Tangible fixed assets	334,273
Borrowing costs capitalised - Havant Thicket 2025	(8,387)
Borrowing costs capitalised - Havant Thicket prior years	(13,966)
Regulatory Tangible fixed assets	311,921

	£'000
Statutory Intangible fixed assets	26,845
Borrowing costs capitalised - 2025	(932)
Borrowing costs capitalised - prior years	(1,131)
Regulatory Intangible fixed assets	24,782

REGULATORY FINANCIAL REPORTING

NOTES TO THE ACCOUNTS

1. Accounting policies

The statutory 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. This Annual Performance Report has been prepared on the basis of these statutory financial statements and has been presented and, where applicable, modified in accordance with the requirements of the Regulatory Accounting Guidelines (RAGs) published by Ofwat and in force at the date of these accounts. The principal accounting changes in respect of the application of RAGs relate to the treatment of non-appointed business.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated. The financial statements are presented in pounds sterling.

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, which have been applied consistently, are as follows:

(a) Revenue

Revenue, which excludes value added tax, represents the income receivable for goods and services provided to external customers in the ordinary course of business.

Revenue from the regulated water business includes amounts billed for the year, together with an estimation of amounts used but unbilled at the year-end, for measured water customers. Where an invoice has been raised or payment received but the service has not been provided in the year this will be treated as a payment in advance. This will not be recognised within the current year's turnover but will instead be included within creditors as deferred income.

Unmeasured bills are generally based on the rateable value of properties. Unmeasured customers are billed annually in advance of 1 July and amounts invoiced in advance are not recognised in turnover until earned.

Measured income arises from customers who have meters fitted at their premises therefore amounts billed are based on actual water consumption. In addition a 'measured income accrual' is calculated in order to estimate of the value of water used but unbilled at the year-end. The estimation of the amounts unbilled at the year-end uses a defined methodology based upon estimate of unbilled water consumed. This is calculated using known factors such as the date of the customers' last bill and the customer tariff together with an estimate of the water consumed. The estimated water consumed is calculated from various factors including; the number of days elapsed since the last meter read, historical consumption levels for each premises (which is calculated from historical customer billing data) or estimated average consumption per property type (where a historic actual is not available). The assumptions reflect historic experience and current data. Management review the data sets used, the outcome of the calculation and quarterly trends in determining the year-end position. There has been no change in the methodology for calculating the measured income accrual during the year.

Charges on income arising from court, solicitors and debt recovery agency fees are credited to operating costs and any out of pocket court costs are added to the relevant customer account. They are not recognised within turnover.

Differences between Statutory and Regulatory accounts

Non-appointed income is included within turnover in the statutory accounts but is excluded from turnover in the APR.

Havant Thicket bulk supply income

An accounting difference arises in relation to the treatment of bulk supply income in connection with the Havant Thicket price control and associated bulk supply agreement. Under the revenue recognition principles of FRS 102, no revenue may be recognised during the construction phase of the Havant Thicket Winter Storage Reservoir (HTWSR). Accordingly, in the annual report and accounts HTWSR bulk supply income totaling £6.5m has been deferred and will be amortised over the term of the bulk supply agreement commenting from the date that water from the reservoir goes into supply (not expected before 2029-30). However, for the purpose of reporting in this Annual Performance Report, in accordance with Regulatory Accounting Guidelines this is treated as bulk supply income and therefore gives rise to a difference between statutory and regulatory accounts.

Void Properties

Empty household properties are classed as "voids" and no bill is raised. There is a defined process for determining if a property is unoccupied. The first stage is that an Occupation Form is posted to the property, requesting details of the occupier. If there is no reply a reminder is sent. The meter continues to be read and monitored and, if consumption is present, further steps are taken. The next stage involves a Visit Notice being raised and given to an Inspector. The Inspector will then go to the property and confirm if the property is void or not, and will turn off the water supply if appropriate. Accordingly revenue is only recognised if the property can be shown not to be void.

Empty Property Charging Policy

Charges are payable if premises are furnished unless the Company is asked to turn off the supply. No retrospective allowances are given. If the premises do not have a separate supply pipe it may not be possible for the Company to turn off the supply.

Where turn-off is required pending the sale of a property, or for a planned period of more than six months, no charge will be made to turn the water back on, provided this is undertaken within normal working hours and sufficient notice has been given.

No charges are payable in respect of unoccupied unfurnished premises, where no water is being used. No retrospective allowances are given.

Where a property is unoccupied following the death of the owner/occupier, the Executors/Administrators can decide whether a supply is maintained to furnished premises, with charges accruing, or the supply is turned off. In either case, the bill outstanding will only become payable upon Probate or Letters of Administration having been obtained.

All new properties are metered. Charges accrue from the date at which the meter is installed. The developer is billed between the date of connection and first occupancy and this is recognised as turnover.

If the developer is no longer responsible for the property and no new occupier has been identified the process referred to above, for void properties, is followed to identify the new occupier. Until the new occupier has been identified the property is treated as unoccupied and is not billed.

(b) Fixed assets

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.

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.

NOTES TO THE ACCOUNTS

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.

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

(c) 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.

(d) 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.

(e) 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.

NOTES TO THE ACCOUNTS

(f) 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.

(g) 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.

(h) 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'.

(i) 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.

(j) 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.

(k) Cost allocation policies

Price Control Units – Accounting Separation

The tables which relate to the PR19 price controls have been completed in accordance with RAG 2 - Guideline for classification of costs across the price controls. The details of this classification are included in the separately published Accounting Separation Methodology Statement, which can be located on the Company website at www.portsmouthwater.co.uk.

The Methodology Statement details the systems in place and the sources of information used to populate the relevant tables in the Annual Performance Report. The detailed nominal ledger management information reports allow costs to be identified for each cost centre of the Company, and the direct costs of Business Units, for example Retail, can be readily identified.

The Company has used the guidance issued by Ofwat in the separation of costs and assets between the Wholesale and Retail business units. It has followed the prescribed hierarchy of cost drivers when deciding upon the most appropriate basis for allocation of both costs and assets. Where the Company has opted to base the allocation of a number of costs and assets on a management estimate, it is satisfied that this was the only valid option given the time and costs involved in other methods.

A summary of the basis of allocation for the operating costs, excluding depreciation, is included below:

Annual Performance Report - Business Unit Tables 2024-25

Direct costs	*Basis of Allocation*
Employment Costs	Direct and management estimate
Power	Pumping Head
Hired & Contracted Services	Direct
Materials & Consumables	Direct
Service Charges	Direct
Other Direct Costs	Direct

General & support activities	*Basis of Allocation*
Land & Property	Direct and prorata on direct
Production Technical	Direct and prorata on direct
Production Engineer	Production Technical basis
Network General & Admin	Direct
Personnel Services	FTEs
Legal & Property	FTEs
Financial Services	FTEs
Directors	Time on activities and Board Agenda
IT	No. of computers & mobile devices
Operational / Technical Support	GMEAV of asset additions
Vehicles & Plant	No of vehicles
Stores	Direct material costs

General admin	*Basis of Allocation*
Directly identifiable items	Direct
Other General Admin	Direct/Floor space/FTE’s
Other Business Activities	Direct/1/5 per Business Unit
Scientific Services	Quality samples
Doubtful Debts	Direct
General Rates	Floor space
Bulk Supply	Direct
Third Party Costs (RCW)	Direct
Renewals Expensed	Direct

NOTES TO THE ACCOUNTS

The allocation of shared assets and the associated depreciation is based on the principal use rules. These assets are grouped into categories such as IT or Scientic Services , and recharges are allocated on the same basis as the operating costs.

Significant movements in Wholesale and Retail costs have been identified and reported in the Methodology Statement.

(l) Critical Accounting Judgements and key sources of estimation uncertainty

Information on critical accounting judgements and key sources of estimation uncertainty can be found in the Annual Report and Accounts.

2. Revenue

	Appointed 2025 £000	**Non Appointed 2025 £000**	**Total 2025 £000**	Appointed 2024 £000	Non Appointed 2024 £000	Total 2024 £000
Unmeasured household supplies	**22,080**	**-**	**22,080**	21,562	-	21,562
Measured household supplies	**14,630**	**-**	**14,630**	13,389	-	13,389
Non-household supplies	**9,921**	**-**	**9,921**	9,710	-	9,710
*Third party supplies	**1,014**	**319**	**1,333**	1,015	294	1,309
Havant Thicket bulk supply	**2,638**	**-**	**2,638**	1,696	-	1,696
Other sources	**59**	**-**	**59**	65	-	65
	50,342	**319**	**50,661**	47,437	294	47,731

*Appointed Third Party services includes Bulk Supply revenue of £2.64m from Southern Water.

3. Analysis of operating costs

This note has been prepared in accordance with Condition F of the Company's Instrument of Appointment.

	Appointed 2025 £000	**Non Appointed 2025 £000**	**Total 2025 £000**	Appointed 2024 £000	Non Appointed 2024 £000	Total 2024 £000
Manpower costs	**12,846**	**103**	**12,949**	10,245	181	10,426
Other costs of employment	**522**	**-**	**522**	519	-	519
Power	**4,784**	**-**	**4,784**	3,205	-	3,205
*Rates	**1,532**	**-**	**1,532**	2,424	-	2,424
Hired and contracted services	**492**	**16**	**508**	7,371	25	7,396
Materials and consumables	**2,908**	**4**	**2,912**	2,596	-	2,596
Service charges	**1,767**	**-**	**1,767**	1,507	-	1,507
Renewals expensed	**10,468**	**-**	**10,468**	1,238	-	1,238
Provision of bad and doubtful debts	**696**	**-**	**696**	1,004	-	1,004
Other operating costs	**39**	**11**	**50**	223	(187)	36
Depreciation and amortisation	**6,882**	**-**	**6,882**	6,347	-	6,347
	42,936	**134**	**43,070**	36,679	19	36,698

Manpower costs include a notional pension credit/charge which should not be included for efficiency purposes, as the notional pension credit/charge is excluded from the price determination. A comparison of these costs is shown below:

	2025	2024
	£000	£000
Manpower as reported	**12,846**	10,721
Notional Pension Cost	**(818)**	(364)
Manpower cost for efficiency and Price Determination purposes	**12,028**	10,357

4. Other operating income

	Appointed	**Non Appointed**	**Total**	Appointed	Non Appointed	Total
	2025	**2025**	**2025**	2024	2024	2024
	£000	**£000**	**£000**	£000	£000	£000
Profit/(loss) arising on disposal of fixed assets	**26**	**-**	**26**	-	-	-
Exceptional item - Settlement and related costs on pension scheme	**-**	**-**	**-**	(31)	-	(31)
	26	**-**	**26**	(31)	-	(31)

5. Other income

	Appointed	**Non Appointed**	**Total**	Appointed	Non Appointed	Total
	2025	**2025**	**2025**	2024	2024	2024
	£000	**£000**	**£000**	£000	£000	£000
Amortisation of Developer Contributions	**703**	**-**	**703**	973	-	973
S45 Connection Charges	**862**	**-**	**862**	892	-	892
Mains Diversions	**-**	**-**	**-**	-	-	-
	1,565	**-**	**1,565**	1,865	-	1,865

6. Interest income

	2025	2024
	£000	£000
Loan from Group Company	**-**	1,536
Bank and short term investment interest receivable	**4,056**	4,163
Income receivable from inflation-linked SWAP financial instrument	**-**	566
Other interest income from pension scheme (See Note 22)	**-**	-
	4,056	6,265

NOTES TO THE ACCOUNTS

7. Interest expense

	Appointed 2025 £000	Appointed 2024 £000
Inflation-linked RPI Bank loan and CPI Bond - interest	**7,423**	7,255
- indexation	**7,388**	14,854
- amortisation of fees	**1,152**	1,286
- administration expenses	**1,390**	1,331
	17,353	24,726
Inflation-linked SWAP financial instrument - fair value loss at year end	**(1,248)**	1,853
Revolving loan facility - interest	**-**	-
Revolving loan facility - amortisation of fees	**299**	299
Intercompany loan - interest	**1,161**	620
Finance lease interest charge	**67**	64
Debenture Stock - interest	**5**	15
Other interest payable	**367**	-
	18,004	27,577

In the Statutory Accounts an amount of £9.32m (£8.39m relating to Havant Thicket and £0.93m relating to Intangible fixed assets) has been capitalised, but this is disallowed in the Regulatory Accounts. This reduces the interest expense in 2025 to £8.685m in the Statutory Accounts.

8. Taxation (appointed business only)

	2025 £000	2024 £000
Current tax		
United Kingdom corporation tax at 25% (2024 - 25%)	**-**	-
Adjustment in respect of prior year periods	**-**	(14)
	-	(14)
Deferred tax		
Origination and reversal of timing differences	**597**	(918)
Effect of tax rate charge on opening balance	**-**	-
Adjustment in respect of prior periods	**(30)**	14
	567	(904)
Tax on profit on ordinary activities	**567**	(918)

REGULATORY FINANCIAL REPORTING

The tax charge for the year is lower (2024 - higher) than the standard rate of Corporation tax in the UK of 25% (2024 - 25%), explained as follows:

	2025 £000	2024 £000
Profit/(loss) on ordinary activities before tax	**1,705**	(11,567)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of ??% (2024 - 25%)	**426**	(2,198)
Fixed asset differences	**159**	163
Effect of change in tax rate	**-**	-
Prior year adjustments - deferred tax	**(30)**	14
Prior year adjustments - current tax	**-**	(14)
Other tax adjustments	**12**	1,811
Current tax charge for the year	**567**	(224)

Current Tax - United Kingdom corporation tax at 25% (2024 - 25%)

Due to the company's 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%).

Reconciliation between current tax charge and current tax in price limits

	Note	Statutory Accounts £'000	Non Appointed and other differences £'000	Regulartory Appointed Accounts £'000	Final Determination Wholesale £'000	Final Determination Retail £'000	Tax Difference @25% £'000
Profit per FD - Wholesale	a	1,705	(6,699)	(4,994)	(1,677)	-	829
Profit per FD - Retail	a	-	-	-	-	815	204
Other income (grants and contributions)	a	-	-	-	638	-	160
Earnings before tax		1,705	(6,699)	(4,994)	(1,039)	815	1,192
Add depreciation	b	6,882	-	6,882	7,638	-	189
Less Capital allowances	b	(15,218)	-	(15,218)	(18,315)	-	(774)
Pension contributions adjustment	c	842	-	842	-	-	(211)
Loan relationship adjustments	d	(8,552)	8,552	-	-	-	-
Other adjustments	e	520	-	520	638	-	30
Tax losses utilised in the period	f	-	-	-	-	-	-
Loss in the year carried forward	f	13,821	-	11,968	11,078	-	(222)
Adjusted loss chargeable to CT	g	-	-	-	-	815	204
@ tax rate 25%		-	-	-	-	204	204
Current Tax charge		-	-	-	-	-	-
Prior year adjustment		567	-	567	-	-	(567)
Tax charge for the period		567	-	567	-	204	(363)

NOTES TO THE ACCOUNTS

We have analysed the difference between the tax charge for the year, which was zero, for the appointed business, against the charge calculated in the Final Determination (FD) of £0.2m. The significant movements and related tax impact are set out in the table above.

a) Earnings before tax

Firstly the profit before tax (PBT) per the FD has to be adjusted to reflect the inclusion of income from grants and contributions of £0.64m. The actual resultant adjusted PBT is lower in the current year as a result of high interest costs offset by lower operating costs. This drives a significant tax difference of £1.2m as we compare an outturn loss for the year of (£4.99m) versus a net loss before tax of (£0.22m).

b) Depreciation & capital allowances

There are differences in the levels of depreciation and capital allowances resulting in a net tax difference of (£0.6m).

c) Pension deduction

The FD reflects pension contributions on a cash basis only and therefore no pension tax adjustment is required. The current year's PBT reflects a full actuarial adjustment for pensions and therefore on-cash credits of £0.84m must be reversed in line with the tax treatment. This results in a tax difference of (£0.2m).

d) Loan relationship adjustments

£8.8m of these adjustments relate to capitalised borrowing costs in the year, and are excluded in the Regulatory Accounts.

e) Other tax adjustments

Other tax adjustments in the current year include profit from rental properties of (£0.520m), capitalised revenue expenditure (£0.132m). This results in a difference in the tax charge of £0.03m.

f) Tax losses utilised/generated

The tax calculation for the year results in an overall chargeable loss in the appointed business of £12.0m. Whereas in the FD, the Wholesale tax calculation results in an overall tax loss of £11.1m for the wholesale business and a tax charge of £0.2m for the retail business. This results in a difference in the tax charge between the current year and the FD of £0.2m.

g) Rate of tax

The difference in the rate of tax between the FD (17%) and the current year (25%) results in a tax difference of (£0.063m).

9. Dividends

Equity: Ordinary/'A' Ordinary

	2025 £000	2024 £000
Interim paid	**-**	-
Final paid	**3,223**	2,342
	3,223	2,342

	2025 £000	2024 £000
Dividend ultimately for group shareholders	**3,223**	2,342
Servicing of intercompany debt net of tax	**-**	-
Total Dividends	**3,223**	2,342

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 with no recirculating dividend. This was paid in September 2024. As noted above, on recirculating dividend was paid. No additional interim dividends where 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. As noted above, no recirculating dividend will be paid. The full proposed dividend is anticipated to paid in September 2025.

Please refer to the Dividend Policy on page 28 for further information.

10. Tangible fixed assets

	Freehold land, buildings, & reservoirs £000	Mains £000	Pumping plant £000	Vehicles, mobile plant & office equipment £000	Total £000
Cost					
At 1 April 2024	141,173	84,833	82,653	36,039	344,698
Additions	51,721	6,752	6,907	2,338	67,718
Transfer to intangible fixed assets and between categories	-	-	-	-	-
Disposals	(78)	-	-	(1,151)	(1,229)
At 31 March 2025	192,816	91,585	89,560	37,226	411,187
Depreciation					
At 1 April 2024	16,891	11,686	41,168	24,314	94,059
Charge for year	815	1,290	2,147	2,167	6,419
Disposals	(37)	-	-	(1,146)	(1,183)
At 31 March 2025	17,669	12,976	43,315	25,335	99,295
Net book value					
At 31 March 2025	175,147	78,609	46,245	11,891	311,892
At 1 April 2024	124,282	73,147	41,485	11,725	250,639

NOTES TO THE ACCOUNTS

Assets in the course of construction

Included in the above table are assets in the course of construction as follows:

	Freehold land, buildings, & reservoirs £000	Mains £000	Pumping plant £000	Vehicles, mobile plant & office equipment £000	Total £000
Cost and Net book value					
At 1 April 2024	81,016	8,866	13,941	3,890	107,713
Reclassification to Intangibles	-	-	-	-	-
Additions	51,691	6,761	7,132	1,844	67,428
Transferred into fixed assets	(1,062)	(10,070)	(2,812)	(331)	(14,275)
Transfers into completed tangible fixed assets	-	-	-	-	-
At 31 March 2025	131,645	5,557	18,261	5,403	160,866
At 1 April 2024	81,016	8,866	13,941	3,890	107,713

Of the balance of assets in the course of construction, £129.6m (2024 - £79.5m) relates to Havant Thicket Reservoir.

11. Intangible fixed assets

	Development Projects £000	Software, consultancy and internal costs £000	Total £000
Cost			
At 1st April 2024	8,427	8,759	17,186
Transfer from tangible fixed assets and between categories	-	-	-
Additions (WIP completed assets)	5,764	5,421	11,185
Disposals	-	(183)	(183)
At 31st March 2025	14,191	13,997	28,188
Amortisation			
At 1st April 2024	-	3,126	3,126
Charge for the year	-	463	463
Disposals	-	(183)	(183)
At 31st March 2025	-	3,406	3,406
Net book value			
At 31st March 2025	14,191	10,591	24,782
At 1st April 2024	8,427	5,633	14,060

Included in the above table are assets in the course of construction with a net book value of £13.1m.

REGULATORY FINANCIAL REPORTING

12. Debtors

	2025 £000	2024 £000
Trade Debtors	**9,983**	6,668
Amounts owed by Group companies	**4,528**	3,733
Prepayments and accrued income	**5,788**	5,770
Financial derivatives (Note 22)	**1,171**	380
Other debtors	**3,284**	5,238
	24,754	21,789

Non-current asset investment above represented a loan due to the parent entity South Downs Limited. Interest was charged on this loan at SONIA, plus an agreed margin. In July 2023, as part of the wider refinancing on the Company, the loan was fully repaid, along with interest that had accrued on the loan.

The ageing of these debtors was as follows:

	2025 £000	2024 £000
Up to 12 months	**9,980**	6,759
Over 12 months	**4,498**	4,097
	14,478	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 £4,495k provision (2024 - £4,188k) £62k (2024 - £59k) relates to non-household debtors and £4,433k (2024 - £4,129k) relates to household debtors.

	2025 £000	2024 £000
At 1 April 2024/2023	**4,188**	4,475
Provision for bad debt required in the year - charged to income statement	**696**	539
Provisions released in year	**-**	(360)
Debt written off in the year as uncollectable includes fully provided debt over 6 years old	**(390)**	(466)
At 31 March 2025/2024	**4,495**	4,188

	2025 £000	2024 £000
Total Debtors Outstanding > 30 days		
Household	**10,229**	6,063

WRITE-OFF POLICY

Our bad debt write-off policy was reviewed last year, and the provisioning rates have been revised this year.

Customers who remain within our area of supply:

Domestic – written off upon Bankruptcy or the granting of a Debt Relief Order.

Customers who have moved outside our area of supply:

Debt less than £50 – limited automated credit control and then periodic automatic write off.

Debt greater than £50 – credit control process then passed to a Debt Collection Agency (DCA) for recovery on a no success, no fee basis.

Periodic write off exercise for accounts returned by DCA, following internal review.

Differences in amounts written off from year to year are generally the result of differences in the timing of write off exercises rather than as a result of any particular trends.

NOTES TO THE ACCOUNTS

Provisioning policy

The Company makes an estimate of the recoverable value of trade receivables. When assessing impairment of customer balances, management considers various factors including the aging profile of the balance, historical collection rates and debt write off. Accordingly, our provision is based on the debtor balance at the end of the period, its age and the applicable average collection rates.

The Bad Debt Provision applies the following provision rates as at 31st March 2025:

	Under 1 year	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**5-6 years**	**6+ years**
Debit balances	29%	58%	74%	90%	100%	100%	100%
Credit balances	9%	90%	90%	92%	95%	97%	100%

13. Current asset investments

	2025	2024
	£000	£000
Unlisted investments	**2**	2
Short term deposits	**-**	90,000
	2	90,002

Short term deposits comprise bank deposits which have a maturity, when placed on deposit, of between 3 months and 1 year.

14. Cash at bank and in hand

	2025	2024
	£000	£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.

15. Borrowings: due within one year

	2025	2024
	£000	£000
Bank RCF loan facility draw down	**-**	-
Accrued bank loan refinance fees	**665**	646
Less deferred arrangement costs	**(1,095)**	(1,394)
Inter-group subordinated loan (see Note 19)	**30,000**	20,623
Finance lease liability (see Note 19)	**66**	64
Financial derivatives (see Note 22)	**603**	437
	30,329	20,376

REGULATORY FINANCIAL REPORTING

16. Other current liabilities

	Appointed 2025 £000	**Non Appointed 2025 £000**	**Total 2025 £000**	Appointed 2024 £000	Non Appointed 2024 £000	Total 2024 £000
Payments received on account	**6,864**	**-**	**6,864**	1,315	-	1,315
Trade creditors	**4,372**	**-**	**4,372**	3,082	258	3,340
Amounts owed to Group companies	**1,346**	**-**	**1,346**	2,460	-	2,460
Other creditors	**1,677**	**-**	**1,677**	396	-	396
Accruals	**2,339**	**-**	**2,339**	2,294	-	2,294
Water Rates in advance	**3,138**	**-**	**3,138**	8,150	-	8,150
Trade and other payables	**19,736**	**-**	**19,736**	17,697	258	17,955
Capex creditor	**11,337**	**-**	**11,337**	11,337	-	11,337
Other taxation and social security	**-**	**-**	**-**	432	-	432
	31,073	**-**	**31,073**	29,466	258	29,724

17. Non-current liabilities

	2025 £000	2024 £000
In five years or more:		
3% Perpetual debenture stock	**60**	60
3½% Perpetual debenture stock	**185**	185
4% Perpetual debenture stock	**38**	38
Bank Loan	**147,416**	142,285
Accrued bank loan refinance fees	**1,847**	2,184
Bank facility	**-**	-
Bond	**80,340**	78,026
Less: deferred arrangement costs	**(4,314)**	(5,410)
Finance lease liaility	**1,004**	977
Financial derivatives	**-**	1,415
Intra-group subordinated creditor	**-**	-
	226,576	219,760

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 assetsof 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.

NOTES TO THE ACCOUNTS

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 offset 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.

18. Deferred income: capital contributions

	2025 Appointed £000	2024 Appointed £000
At 1 April 2024		
Capital contributions	**27,751**	28,039
Deferred bulk supply revenues	**3,085**	4,781
	30,836	32,820
Additions - capital contributions	**1,242**	760
Release to Turnover - capital contributions	**(749)**	(1,048)
Release to Turnover - bulk supply revenues	**(2,638)**	(1,696)
At 1 April 2025		
Capital contributions	**28,245**	27,751
Deferred bulk supply revenues	**447**	3,085
	28,692	30,836

For 2024/25 the release to turnover includes an amount for the recognition of Havant Thicket Bulk Supply revenues of £2.638m.

19. Provisions for liabilities

	2025 £000	2024 £000
Deferred taxation:		
At 1 April	**8,330**	9,047
Charged during the year to other comprehensive income	**567**	186
Charged during the year in profit and loss account	**401**	(903)
At 31 March	**9,298**	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.

	2025 £000	2024 £000
Deferred Tax including that relating to pension asset:		
Accelerated capital allowances	**21,947**	14,954
Other timing differences	**(12,649)**	(6,624)
Pension asset (note 23)	**-**	-
Total provision for deferred tax	**9,298**	8,330
At April 2024/2023	**8,330**	9,047
Deferred tax charged in income statement (note 8)	**567**	(903)
Deferred tax credited to the statement of comprehensive income	**401**	186
At 31 March 2025/2024	**9,298**	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 ACCOUNTS

20. Changes in equity (Regulatory Accounts)

	Called up Share Capital £000	Share Premium Account £000	Capital Redemption Reserve £000	Cash Flow Hedge Reserve £000	Retained Earnings £000	Total £000
Balance at 1 April 2024	81,078	9,382	3,250	285	11,713	105,708
Profit for the year	-	-	-	-	1,138	1,138
Remeasurement of hedging financial instruments	-	-	-	791	-	791
Remeasurement of net defined benefit asset	-	-	-	-	818	818
Share Issue	-	-	-	-	-	-
Movement on deferred tax relating to pension scheme and hedging financial instruments	-	-	-	(198)	(205)	(403)
Total comprehensive income for the year	-	-	-	593	1,751	2,345
Dividends	-	-	-	-	(3,223)	(3,223)
Balance at 31 March 2025	81,078	9,382	3,250	878	10,241	104,830

The retained earnings balance represents accumulated profits and losses, including unrealised profits on the remeasurement of investment properties, 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.

21. 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
Interest rate swap fair value asset (see Note 16)		
Due < 1 year	**38**	-
Due > 1 year	**1,133**	380
	1,171	380
RPI-CPI swap fair value liability (see Note 18 & 19)		
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 bank Artesian loan during 2023), plus an annual charge of £1,664k, 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:

Interest Rate swaps (Hedge accounting applied)

	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
31 March 2025	1,171	8	609	735	-	1,283
31 March 2024	380	-	27	403	-	430

RPI-CPI swap (Hedge accounting not applied)

	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
31 March 2025	(603)	(813)	320	107	(631)	(722)
31 March 2024	(1,852)	(449)	(72)	(668)	(1,054)	(2,243)

22. 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.

REGULATORY FINANCIAL REPORTING

NOTES TO THE ACCOUNTS

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 recent Virgin Media court decision, 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 are very low, and accordingly no amendment to the pension liability calculations have been made.

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 £2,083k (2024: £1,786k).

The key FRS 102 assumptions used for the scheme were as follows:

	2025	2024	2023
	% per annum	% per annum	% per annum
RPI inflation	**3.1**	3.2	3.3
CPI inflation	**2.7**	2.7	2.9
Discount Rate	**5.7**	4.8	4.7
Pension increases	**2.7**	2.7	2.9
Salary growth	**n/a**	n/a	3.0

Assumption	31 March 2025	31 March 2024	Comments on assumptions
RPI inflation	3.1% pa	3.2% pa	• 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). • Consistent with the approach taken last year, a deduction of 0.3% pa has been applied to allow for an assumed inflation risk premium.
CPI inflation	2.7% pa	2.7% pa	• 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. • 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.
Discount rate	5.74% pa	4.8% pa	• 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) • Bonds are included in the data set if they are classified as 'AA' and 'Corporate', as rated by either Fitch, Moodys or Standard & 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.

REGULATORY FINANCIAL REPORTING

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 - 24.2 years).

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 proposed 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 assets by around £0.1m.

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		2024		2023
		Fair Value		Fair Value		Fair Value
	%	**£000**	%	£000	%	£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	**1**	**1,362**	2	2,480	6	8,270
Buy-in policy	**44**	**44,071**	44	51,854	42	53,593
	99	**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 £1.362m (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.

NOTES TO THE ACCOUNTS

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.

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	**-**	-
Net pension asset recognised	**-**	-

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

The FRS 102 value of scheme assets moved over the period as follows:	**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

The FRS 102 value of scheme defined benefit obligation moved over the period as follows:	**2025 £000**	2024 £000
Opening scheme liabilities	**94,121**	98,853
Employer's part of current service cost	**818**	364
Settlement exceptional cost	**-**	-
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

The FRS 102 fair value of scheme assets moved over the period as follows:	**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

Expense recognised in income statement

The following amounts have been included within operating profit:	**2025 £000**	2024 £000
Current service cost (employer's part only, including scheme running costs)	**(505)**	(364)
Total operating charge	**(505)**	(364)

The following amounts have been included within exceptional charges in the year:	**2025 £000**	2024 £000
Pension settlement charge	**(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:	**2025 £000**	2024 £000
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

NOTES TO THE ACCOUNTS

Amounts recognised outside income statement

The following amounts have been recognised within the statement of changes in equity:	**2025 £000**	2024 £000
Actual return on assets less interest	**(15,805)**	(10,432)
Experience gains/(loss) 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

23. 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 were commenced later in the year.

The group structure is set out on page 13.

We consider AFTPL to be the ultimate holding company at 31 March 2025 (2024 - AFTPL), 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).

24. 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 Winter Storage Reservoir ('HTWSR') project. During the year to 31 March 2023, approval of the HTWSR construction budget expenditure of up to £339m (2021 prices) was received from OFWAT, the Water Industry Regulator. This is considered to be the current capital commitment for the Company relating to HTWSR. 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 HTWSR project, as set out in Note 13.

Contracts relating to the construction of the HTWSR have been placed with major sub-contractors with a total value of £246m as at 31 March 2025 (2024 - £209m).

Section 2

PRICE REVIEW AND OTHER SEGMENTAL REPORTING

PRICE REVIEW AND OTHER SEGMENTAL REPORTING

2A SEGMENTAL INCOME STATEMENT

Table 2A - Segmental income statement for the 12 months ended 31 March 2025

£m	Residential Retail	Water resources	Water Network+	Havant Thicket	Total	RAG 4 reference
Revenue - price control	5.405	7.388	33.838	2.638	49.269	2A.1
Revenue - non price control			1.073		1.073	2A.2
Operating expenditure - excluding PU recharge impact	(6.766)	(6.493)	(22.795)		(36.054)	2A.3
PU opex recharge	(0.198)	(0.041)	0.239		-	2A.4
Operating expenditure - including PU recharge impact	(6.964)	(6.534)	(22.556)	-	(36.054)	2A.5
Depreciation - tangible fixed assets	(0.002)	(0.232)	(6.185)	-	(6.419)	2A.6
Amortisation - intangible fixed assets	-	-	(0.463)	-	(0.463)	2A.7
Other operating income			(0.026)	-	(0.026)	2A.8
Operating profit	(1.561)	0.622	5.681	2.638	7.380	2A.9

Recharges from Water Network+ to Retail and Water Resources, include a charge for the use of the Head Office Building. The market value of the rental is £332k per annum, of which 47.1% relates to Retail and 6.3% to Water Resources.

2B TOTEX ANALYSIS – WHOLESALE WATER

Table 2B - Totex analysis for the 12 months ended 31 March 2025 - Wholesale

£m	Water resources	Water Network+	Havant Thicket	Total	RAG 4 reference
Base operating expenditure					
Power	1.915	2.723	-	4.638	2B.1
Income treated as negative expenditure	-	-	-	-	2B.2
Abstraction charges/ discharge consents	1.767	-	-	1.767	2B.3
Bulk Supply/Bulk discharge	-	-	-	-	2B.4
Renewals expensed in year (Infrastructure)	-	-	-	-	2B.5
Renewals expensed in year (Non-Infrastructure)	-	0.140	-	0.140	2B.6
Other operating expenditure	2.461	18.001	-	20.462	2B.7
Local authority and Cumulo rates	0.308	1.115	-	1.423	2B.8
Total base operating expenditure	6.451	21.979	-	28.430	2B.9
Other operating expenditure					
Enhancement operating expenditure	0.042	-		0.042	2B.10
Developer services operating expenditure	-	0.651		0.651	2B.11
Total operating expenditure excluding third party services	6.493	22.630	-	29.123	2B.12
Third party services	-	0.165		0.165	2B.13
Total operating expenditure	6.493	22.795	-	29.288	2B.14
Grants and contributions					
Grants and contributions - operating expenditure	-	0.862	-	0.862	2B.15
Capital expenditure					
Base capital expenditure	0.849	15.894	-	16.743	2B.16
Enhancement capital expenditure	0.559	10.530	49.913	61.002	2B.17
Developer services capital expenditure	-	1.083	-	1.083	2B.18
Total gross capital expenditure (excluding third party)	1.408	27.507	49.913	78.828	2B.19
Third party services	-	-	-	-	2B.20
Total gross capital expenditure	1.408	27.507	49.913	78.828	2B.21
Grants and contributions					
Grants and contributions - capital expenditure	-	1.293		1.293	2B.22
Net totex	7.901	48.147	49.913	105.961	2B.23
Cash expenditure					
Pension deficit recovery payments	-	-	-	-	2B.24
Other cash items	-	-	-	-	2B.25
Totex including cash items	7.901	48.147	49.913	105.961	2B.26

PRICE REVIEW AND OTHER SEGMENTAL REPORTING

2C COST ANALYSIS – RETAIL

Table 2C - Cost analysis for the 12 months ended 31 March 2025 - Retail

£m	Residential	Total	RAG 4 reference
Operating expenditure			
Customer services	3.558	3.558	2C.1
Debt management	0.555	0.555	2C.2
Doubtful debts	0.696	0.696	2C.3
Meter reading	0.325	0.325	2C.4
Services to developers		-	2C.5
Other operating expenditure	1.525	1.525	2C.6
Local authority and Cumulo rates	0.106	0.106	2C.7
Total operating expenditure excluding third party services	6.766	6.766	2C.8
Depreciation			
Depreciation on tangible fixed assets existing at 31 March 2015	-	-	2C.9
Depreciation on tangible fixed assets acquired after 1 April 2015	0.002	0.002	2C.10
Amortisation on intangible fixed assets existing at 31 March 2015	-	-	2C.11
Amortisation on intangible fixed assets acquired after 1 April 2015	-	-	2C.12
Recharges			
Recharge from wholesale for legacy assets principally used by wholesale (assets existing at 31 March 2015)	0.156	0.156	2C.13
Income from wholesale for legacy assets principally used by retail (assets existing at 31 March 2015)	-	-	2C.14
Recharge from wholesale assets acquired after 1 April 2015 principally used by wholesale	0.042	0.042	2C.15
Income from wholesale assets acquired after 1 April 2015 principally used by retail	-	-	2C.16
Net recharges costs	0.198	0.198	2C.17
Total retail costs excluding third party and pension deficit repair costs	6.966	6.966	2C.18
Third party services operating expenditure	-	-	2C.19
Pension deficit repair costs	-	-	2C.20
Total retail costs including third party and pension deficit repair costs	6.966	6.966	2C.21
Debt written off			
Debt written off	0.390	0.390	2C.22
Capital expenditure			
Capital expenditure	0.076	0.076	2C.23
Comparison of actual and allowed expenditure			
Cumulative actual retail expenditure to reporting year end	27.147		2C.30
Cumulative allowed expenditure to reporting year end	21.214		2C.31
Total allowed expenditure 2020-25	21.214		2C.32

PRICE REVIEW AND OTHER SEGMENTAL REPORTING

2D HISTORIC COST ANALYSIS OF TANGIBLE FIXED ASSETS – WHOLESALE & RETAIL

Table 2D - Historic cost analysis of tangible fixed assets

£m	Residential Retail	Water Resources	Water Network+	Havant Thicket	Total	RAG 4 reference
Cost						
At 1 April 2024	1.648	28.168	241.586	73.296	344.698	2D.1
Disposals	(0.078)	-	(1.151)	-	(1.229)	2D.2
Additions	1.101	0.010	16.695	49.912	67.718	2D.3
Adjustments	-	-	-	-	-	2D.4
At 31 March 2025	2.671	28.178	257.130	123.208	411.187	2D.6
Depreciation						
At 1 April 2024	(1.192)	(5.206)	(87.661)	-	(94.059)	2D.7
Disposals	0.033	-	1.150	-	1.183	2D.8
Adjustments	-	-	-	-	-	2D.9
Charge for year	(0.002)	(0.232)	(6.185)	-	(6.419)	2D.10
At 31 March 2025	(1.161)	(5.438)	(92.696)	-	(99.295)	2D.11
Net book amount at 31 March 2025	1.510	22.740	164.434	123.208	311.892	2D.12
Net book amount at 1 April 2024	0.456	22.962	153.925	73.296	250.639	2D.13
Depreciation charge for year						
Principal services	(0.002)	(0.232)	(6.185)	-	(6.419)	2D.14
Third party services	-	-	-	-	-	2D.15
Total	(0.002)	(0.232)	(6.185)	-	(6.419)	2D.16

PRICE REVIEW AND OTHER SEGMENTAL REPORTING

2E ANALYSIS OF 'GRANTS AND CONTRIBUTIONS' – WATER RESOURCES AND WATER NETWORK+

Table 2E - Analysis of 'grants and contributions' for the 12 months ended 31 March 2025 - Water Resources and Water Network+

£m	Fully recognised in income statement	Capitalised and amortised (in income statement)	Fully netted off capex	Total	RAG 4 reference
Grants and contributions - Water Resources					
Diversions - s185	-	-	-	-	2E.1
Other contributions (price control)	-	-	-	-	2E.2
Price control grants and contributions	-	-	-	-	2E.3
Diversions - NRSWA	-	-	-	-	2E.4
Diversions - other non-price control	-	-	-	-	2E.5
Other contributions (non-price control)	-	-	-	-	2E.6
Total	-	-	-	-	2E.7
Value of adopted assets	-	-	-	-	2E.8
Grants and contributions - Water Network+					
Connection charges	0.862	-	-	0.862	2E.9
Infrastructure charge receipts	-	1.367	-	1.367	2E.10
Requisitioned mains	-	1.079	-	1.079	2E.11
Diversions - s185	-	-	-	-	2E.12
Other contributions (price control)	-	-	-	-	2E.13
Price control grants and contributions before deduction of income offset	0.862	2.446	-	3.308	2E.14
Income offset	-	1.154	-	1.154	2E.15
Price control grants and contributions after deduction of income offset	0.862	1.293	-	2.155	2E.16
Diversions - NRSWA	-	-	-	-	2E.17
Diversions - other non-price control	-	-	-	-	2E.18
Other contributions (non-price control)	-	-	-	-	2E.19
Total	0.862	1.293	-	2.155	2E.20
Value of adopted assets	-	-	-	-	2E.21

	Water resources	Water network+	Wastewater network+	Total	
Movements in capitalised grants and contributions					
b/f	-	27.836	-	27.836	2E.34
Capitalised in year	-	1.293	-	1.293	2E.35
Amortisation (in income statement)	-	(0.703)	-	(0.703)	2E.36
c/f	-	28.426	-	28.426	2E.37

Deferred income on Balance Sheet includes Havant Thicket income of £6.472m.

PRICE REVIEW AND OTHER SEGMENTAL REPORTING

2F RESIDENTIAL RETAIL

Table 2F - Residential retail

	Revenue	Number of customers	Average residential revenues	RAG 4 reference
	£m	000s	£	
Residential revenue				
Wholesale charges	31.305			2F.1
Retail revenue	5.405			2F.2
Total residential revenue	36.710			2F.3
Retail revenue				
Revenue Recovered ("RR")	5.405			2F.4
Revenue sacrifice	-			2F.5
Actual revenue (net)	5.405			2F.6
Customer information				
Actual customers ("AC")		303.974		2F.7
Reforecast customers		304.893		2F.8
Adjustment				
Allowed revenue ("R")	5.344			2F.9
Net adjustment	(0.061)			2F.10
Other residential information				
Average residential retail revenue per customer			17.78	2F.11

This table relates to Retail revenue and compares the assumptions in the Final Determination, published by Ofwat in December 2019, with those underpinning our 2024/25 tariffs and the outturn for 2024/25.

The table below uses data from Table 6 of the Notification of the Final Determination (FD) of Price Controls for Portsmouth Water. It also provides details of our assumptions when setting 2024/25 charges, including the in-period ODI reward for Retail.

2024/25	Final Determination	24/25 Reforecast Allowed Revenue	In-period ODI	24/25 Reforecast + In-period ODI
Customers	307,834	304,893		
Modification Factor	16.32	16.32		
Total Revenue (£m)	5.396	4.976	0.373	5.349

We aimed to raise residential retail revenue of £5.349m in 2024/25, based on our forecast number of properties of 304,893 when we set our tariffs in January 2024 (Line 2F.9). The number of properties we actually served in 2024/25 was 303,974.

We actually raised £5.405m (Line 2F.2), which is only £0.061m more than target (line 2F.9).

The average revenue collected per customer was higher than the FD allowed amount due to the inclusion of the in-period ODI and other small variances during the year. For example, a variance can also be driven by the actual number of households compared to our simple forecast of equal monthly increases in customers.

This data has been audited by Jacobs.

PRICE REVIEW AND OTHER SEGMENTAL REPORTING

2I REVENUE ANALYSIS

Table 2I - Revenue analysis for the 12 months ended 31 March 2025

£m	Household	Non-household	Total	Water resources	Water network+	Total	RAG 4 reference
Wholesale charge - water							
Unmeasured	18.990	0.209	19.199	3.495	15.704	19.199	2I.1
Measured	12.315	9.723	22.038	3.892	18.145	22.038	2I.2
Third party revenue	-	(0.011)	(0.011)	-	(0.011)	(0.011)	2I.3
Total wholesale water revenue	31.305	9.921	41.225	7.388	33.838	41.225	2I.4
Wholesale Total	31.305	9.921	41.225	7.388	33.838	41.225	
Wholesale charge - Additional control							
Unmeasured	-	-	-				2I.13
Measured	-	2.638	2.638				2I.14
Total wholesale additional control revenue	-	2.638	2.638				2I.15
Wholesale Total	31.305	12.559	43.863				2I.16
Retail revenue							
Unmeasured	3.090	-	3.090				2I.17
Measured	2.315	-	2.315				2I.18
Other third party revenue	-	-	-				2I.19
Retail Total	5.405	-	5.405				2I.20
Third party revenue - non-price control							
Bulk supplies - water			1.064				2I.21
Other third party revenue			0.066				2I.23
Principal services - non-price control							
Other appointed revenue			-				2I.24
Total appointed revenue			50.398				2I.25

The Wholesale charge - Additional control is revenue from Southern Water, for Havant Thicket reservoir.

This is the amount included in the Final Determination, indexed to 2024/24 prices.

2J INFRASTRUCTURE NETWORK REINFORCEMENT COSTS

Table 2J - Infrastructure network reinforcement costs for the 12 months ended 31 March 2025

£m	Network reinforcement capex	On site / site specific capex (memo only)	RAG 4 reference
Wholesale water network+ (treated water distribution)			
Distribution and trunk mains	0.287	-	2J.1
Pumping and storage facilities	-	-	2J.2
Other	-	-	2J.3
Total	0.287	-	2J.4

2K INFRASTRUCTURE CHARGES RECONCILIATION

Table 2K - Infrastructure charges reconciliation for the 12 months ended 31 March 2025

£m	Water	Total	RAG 4 reference
Impact of infrastructure charge discounts			
Infrastructure charges	1.367	1.367	2K.1
Discounts applied to infrastructure charges	-	-	2K.2
Gross Infrastructure charges	1.367	1.367	2K.3
Comparison of revenue and costs			
Variance brought forward	2.948	2.948	2K.4
Revenue	1.367	1.367	2K.5
Costs	(0.287)	(0.287)	2K.6
Variance carried forward	4.028	4.028	2K.7

The cost of £0.217m for water mains network reinforcement in 2024/25 was associated with a number of schemes, including Lagness Road and James Callaghan Drive.

The variance between revenue and cost is due to the infrastructure charges being related to future network reinforcement. The cost of network reinforcement is not linear from year to year and is associated with the timing of specific developments.

PRICE REVIEW AND OTHER SEGMENTAL REPORTING

2M REVENUE RECONCILIATION – WHOLESALE

Table 2M - Revenue reconciliation for the 12 months ended 31 March 2025 - Wholesale

£m	Water resources	Water network+	Additional Control	Total	RAG 4 reference
Revenue recognised					
Wholesale revenue governed by price control	7.388	33.838	2.638	43.863	2M.1
Grants & contributions (price control)	-	2.155	-	2.155	2M.2
Total revenue governed by wholesale price control	7.388	35.992	2.638	46.018	2M.3
Calculation of the revenue cap					
Allowed wholesale revenue before adjustments (or modified by CMA)	7.219	35.519	2.638	45.376	2M.4
Allowed grants & contributions before adjustments (or modified by CMA)	-	1.272	-	1.272	2M.5
Revenue adjustment	0.131	(1.362)	-	(1.231)	2M.6
Other adjustments	-	(0.469)	-	(0.469)	2M.7
Revenue cap	7.350	34.960	2.638	44.948	2M.8
Calculation of the revenue imbalance					
Revenue cap	7.350	34.960	2.638	44.948	2M.9
Revenue recovered	7.388	35.992	2.638	46.018	2M.10
Revenue imbalance	(0.038)	(1.032)	-	(1.070)	2M.11

PRICE REVIEW AND OTHER SEGMENTAL REPORTING

2N RESIDENTIAL RETAIL – SOCIAL TARIFFS

Table 2N - Residential retail - social tariffs

	Revenue	Number of customers	Average amount per customer	RAG 4 reference
	£m	Number	£	
Number of residential customers on social tariffs				
Residential water only social tariffs		14,280		2N.1
Residential wastewater only social tariffs		-		2N.2
Residential dual service social tariffs		-		2N.3
Number of residential customers not on social tariffs				
Residential water only no social tariffs		289,694		2N.4
Residential wastewater only no social tariffs		-		2N.5
Residential dual service no social tariffs		-		2N.6
Social tariff discount				
Average discount per water only social tariffs customer			27.342	2N.7
Average discount per wastewater only social tariffs customer			-	2N.8
Average discount per dual service social tariffs customer			-	2N.9
Social tariff cross-subsidy - residential customers				
Total customer funded cross-subsidies for water only social tariffs customers	390.444		-	2N.10
Total customer funded cross-subsidies for wastewater only social tariffs customers	-		-	2N.11
Total customer funded cross-subsidies for dual service social tariffs customers	-		-	2N.12
Average customer funded cross-subsidy per water only social tariffs customer			1.284	2N.13
Average customer funded cross-subsidy per wastewater only social tariffs customer			-	2N.14
Average customer funded cross-subsidy per dual service social tariffs customer			-	2N.15
Social tariff cross-subsidy - company				
Total revenue forgone by company to fund cross-subsidies for water only social tariffs customers	-	-		2N.16
Total revenue forgone by company to fund cross-subsidies for wastewater only social tariffs customers	-	-		2N.17
Total revenue forgone by company to fund cross-subsidies for dual service social tariffs customers	-	-		2N.18
Average revenue forgone by company to fund cross-subsidy per water only social tariffs customer			-	2N.19
Average revenue forgone by company to fund cross-subsidy per wastewater only social tariffs customer			-	2N.20
Average revenue forgone by company to fund cross-subsidy per dual service social tariffs customer			-	2N.21
Social tariff support - willingness to pay				
Level of support for social tariff customers reflected in business plan			0.750	2N.22
Maximum contribution to social tariffs supported by customer engagement			3.000	2N.23

This table relates to customers on the Social Tariff and quantifies the impact on all other customers of providing a discount to this group of customers.

The average number of customers on this tariff in 2024-25 was 14,280. In total they received a discount of £0.390m in the 12 months up to the end March 2025. We only fully recover this discount from non-social tariff customers in the following year's charges. i.e., 2024-25. Given the average household customer base of 303,974 the average discount of £27.34 is recovered from 289,694 households at an extra charge of £1.28 per household.

When we launched our Social Tariff in 2016, we had customer support of up to 75 pence. We undertook further research in 2020 which has increased this valuation to £1.10 per household. Thus, the Company has not needed to contribute to the scheme to date. We fully expected that this willingness to pay would support in excess of our AMP7 Ofwat target of 10,000 by March 2025.

However, given the ongoing cost of living crisis, it was clear that the £1.10 limit in place for 2022-23 was not going to be sufficient to support the increased numbers now planned to be switched to the Social Tariff. Therefore, in November 2022 new customer research was conducted and this gives the Company a £3.00 limit from 2023-24 onwards. This will allow 27,500 customers to be switched to the Social Tariff. A letter was sent to CCW and Ofwat in December 2022, confirming this position.

This data has been audited by Jacobs.

2O HISTORIC COST ANALYSIS OF INTANGIBLE FIXED ASSETS

Table 2O - Historic cost analysis of intangible fixed assets

£m	Retail Residential	Water Resources	Water Network+	Total	RAG 4 reference
Cost					
At 1 April 2024	1.338	0.917	14.931	17.186	2O.1
Disposals			(0.183)	(0.183)	2O.2
Additions	0.025	0.307	10.853	11.185	2O.3
Adjustments				-	2O.4
Assets adopted at nil cost				-	2O.5
At 31 March 2025	1.363	1.224	25.601	28.188	2O.6
Amortisation					
At 1 April 2024	(0.749)	(0.169)	(2.208)	(3.126)	2O.7
Disposals			0.183	0.183	2O.8
Adjustments				-	2O.9
Charge for year			(0.463)	(0.463)	2O.10
At 31 March 2025	(0.749)	(0.169)	(2.488)	(3.406)	2O.11
Net book amount at 31 March 2025	0.614	1.055	23.113	24.782	2O.12
Net book amount at 1 April 2024	0.589	0.748	12.723	14.060	2O.13
Amortisation for year					
Principal services	-	-	(0.463)	(0.463)	2O.14
Third party services	-	-	-	-	2O.15
Total	-	-	(0.463)	(0.463)	2O.16

NOTES ON THE PRICE REVIEW AND OTHER SEGMENTAL REPORTING

Retail Price Control Analysis

Household Retail

Revenue is in line with the amount implicit in the tariff setting for 2024/25, which complied with the Final Determination. This included a C-Mex reward amounting to £0.0.373m which relates to 2022/23.

Retail Revenue	Actual £'000	FD £'000	Difference £'000
Household			
Unmeasured	3,090	3,299	-209
Measured	2,315	2,050	265
Total Retail Revenue	5,405	5,349	56

Operating expenditure within the Household Retail price control was higher than the Final Determination allowance, by £2.4m, with operating costs of £6.8m (including depreciation and recharges) versus the final determination of £4.4m.

This variance was due to the following items:

- Doubtful Debts were higher than the FD by £(0.2)m.
- Customer Services department costs were higher by £(1.9)m, due to higher staff costs and additional costs for the customer relations during our Kraken migration.
- Regulation costs were £(0.2)m higher due to additional resources for the management of data and increased PR24 activities.
- Depreciation and recharges were higher than the FD mainly due to the recharge for use of the Head Office building in Havant of £(0.1)m.

Wholesale Price Control Analysis

	Actual £'000	FD £'000	Difference £'000
Household:			
Unmeasured	18,990	19,150	-160
Measured	12,315	12,803	232
Non-Household:			
Unmeasured	209	259	-50
Measured	9,723	9,547	175
Wholesale Revenue (excl G&Cs)	41,237	41,039	197

We have compared actual revenue with that implicit in tariff setting for 2024/25, revenue variance was £0.2m higher before adjustments. We collected more capital contributions from contributions from developers of £0.9m offset .

The variances between household measured and unmeasured wholesale revenue is due to the higher numbers of measured customers than forecast. With volume for measured customers being marginally above our reforecast.

Non-household wholesale revenue is slightly higher than the FD, due to increased volume by measured customers.

The amount of capital contributions was higher than the FD by £0.9m driven by higher levels of activity in new developments than predicted in the PR19 FD back in 2019.

The variance of wholesale charges relative to the Final Determination is 0.5%.

The total variance of wholesale revenue relative to the Final Determination is 4.2%.

Section 3

PERFORMANCE SUMMARY

3A OUTCOME PERFORMANCE – WATER COMMON PERFORMANCE COMMITMENTS

Table 3A - Outcome perfomance - Water common performance commitments

	Unique reference	Unit	decimal places	Performance level - actual	PCL met?	Outperformance or underperformance payment	Forecast of total 2020-25 outperformance or underperformance payment	RAG 4 reference
						£m	£m	
Financial								
Water quality compliance (CRI)	PR19PRT_PRT-Network Plus-01	nr	2	0.45	No	0.000	-1.045	3A.1
Water supply interruptions	PR19PRT_PRT-Network Plus-02	hh:mm:ss	0	00:02:01	Yes	0.206	1.190	3A.2
Leakage	PR19PRT_PRT-Network Plus-07	%	1	3.9	No	-0.864	-1.329	3A.3
Per capita consumption	PR19PRT_PRT-Water Resources 03	%	1	(4.2)	No	-0.518	-2.350	3A.4
Mains repairs	PR19PRT_PRT-Network Plus-03	nr	1	66.8	Yes	0.000	-0.343	3A.5
Unplanned outage	PR19PRT_PRT-Network Plus-04	%	2	0.83	Yes	0.000	0.000	3A.6
Bespoke PCs - Water and Retail (Financial)								
Water quality contacts	PR19PRT_PRT-Network Plus-06	nr	2	0.49	No	-0.044	-0.044	3A.7
Low pressure	PR19PRT_PRT-Network Plus-05	nr	-	14	Yes	0.000	0.000	3A.8
Catchment Management	PR19PRT_PRT-Network Plus-08	nr	-	50	Yes	0.000	0.000	3A.9
Abstraction Incentive Mechanism	PR19PRT_PRT-Water Resources-02	nr	1	0	Yes	0.000	0.000	3A.10
Biodiversity (reward)	PR19PRT_PRT-Water Resources-01	£m	3	0.250	Yes	0.000	0.000	3A.11
Biodiversity (penalty)	PR19PRT_PRT-Water Resources-06	%	1	97.2	Yes	0.000	-0.019	3A.12
Voids	PR19PRT_PRT-Retail-02	%	2	2.32	No	-0.045	-0.193	3A.13
Affordability	PR19PRT_PRT-Retail-03	nr	-	15,027	Yes	0.000	0.000	3A.14
Water Industry National Environment Programme	PR19PRT_NEP02	nr	-	18	Yes	0.000	-0.046	3A.15
Havant Thicket	PR19PRT_15	months	-	N/A	Yes	0.000	0.000	3A.16
Financial water performance commitments achieved		%			67			3A.27
Overall performance commitments achieved (excluding C-MEX and D-MEX)		%			72			3A.28

PERFORMANCE SUMMARY

OUTCOME PERFORMANCE TABLE

Table 3A provides stakeholders with information on the performance against each of our financial ODIs in 2024-25, excluding C-MeX and D-MeX.

We have met target 11 of the 15 financial ODIs. A 16th ODI is Havant Thicket, which does not apply in AMP7. We have used the associated Ofwat model to determine the relevant out / underperformance amounts due. All entries relating to £ are in 2017-18 prices. We have also provided expected ODI outcomes for the whole of AMP7 based on reported performance. All of this data has been audited by Jacobs.

Looking at each ODI in turn:

Compliance Risk Index

For 2024 our CRI score was 0.45 (2023: 15.6), as this is below the deadband of 2, there will be no penalty. Replacing all the sample pipework and pumping equipment at our Farlington Water Treatment Works, which gave rise to the elevated score last year, has reduced the reported score substantially.

Water supply Interruptions

We have again delivered an industry-leading position in avoiding interruptions to supply. For 2024-25 we incurred interruptions totalling 2 minutes, 1 second (2023-24: 1 minute, 31 seconds). This is significantly better than our target of no more than five minutes, 0 seconds. As a result of this excellent performance, we will earn a financial reward of £0.2m.

Leakage

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 a three-year average of 29.1 million litres in 2023-24. It means we will incur a financial penalty of £0.9m. 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 2022-23 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 have a leakage recovery programme ongoing to get leakage back to target, which we anticipate we will do in the second half of AMP8.

Per capita consumption

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. An increase in the annual reported figure compared to 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 139 litres per person per day. Our focus over the next 10 years is supporting our customers to use less water through our smart water metering programme 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%.

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 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. This ODI is penalty only.

Unplanned outage

The unplanned outage assessment completed at the end of the financial year outperformed our Ofwat target of 2.34% and has been calculated at 0.83%. This performance is below the target set by Ofwat and improves prior year performance of 1.97%.

PERFORMANCE SUMMARY

Water quality contacts

We measure the number of contacts per 1,000 population served on a calendar year basis. For 2024 we received 0.49 (2023: 0.42) contacts per 1,000 population, this was against our target of 0.41 and represents the only period in AMP7 where we have failed to meet the target. Despite this our performance on this measure remains amongst the best in the sector. As a result, we will pay an ODI penalty of £44k.

Low Pressure

We met the performance commitment to reduce the registered number of properties at risk of low pressure to 18, achieving 14 by the end of March 2025. A mixture of re-zoning with new pressure optimisation valves, and booster pump installations have pro-actively reduced our properties at risk of low pressure.

Catchment Management

We have achieved our target of 10 farms in 2024-25 with a total of 10. Following conversations with our Regulators and Auditors it was agreed that where farms were tested and existing nutrient levels were satisfactory, they can be counted towards this measure. This means that we have successfully engaged with 50 farmers/landowners during AMP7 and met the cumulative target of 50.

Abstraction Incentive Mechanism

For this measure, we monitor the river level of the River Hamble at Frogmill. Despite drought conditions, the flow has not dropped below the trigger level (of 104 l/sec) in the year and therefore no action has been required at our Northbrook pumping station.

Biodiversity

This measures the percentage of sites in good stewardship each year, with the results being agreed and endorsed by Natural England. For 2024-25 97% of our sites met the required standard, exceeding the target of 90%.

Voids

We had a monthly average of 2.32% of households categorised as void and have underperformed against our target of 2.0% of households this year. We will pay an ODI penalty of £45k. This is a small increase in reported Voids from last year (2.24%) which was impacted by a key delivery partner ceasing their void identification service and the focus on a new CRM system.

Affordability

We now have 15,027 customers on our social tariff compared to the Ofwat target of 10,000 for 2024-25. We have demonstrated an ongoing commitment to addressing the affordability challenges many of our customers face. 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 bill for 2025-26, meaning our most vulnerable customers were protected from the otherwise necessary bill increases. We also maintained the eligibility threshold to £21,000, to help make sure those in low-income work could still access help.

Water Industry National Environment Programme

We have 18 schemes in our agreed WINEP programme for AMP7. All seven schemes scheduled for this year were successfully completed by March 2025.

Havant Thicket

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 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.

3C CUSTOMER MEASURE OF EXPERIENCE (C-MEX)

Table 3C - Customer measure of experience (C-MeX) table

Item	Unit	Value	RAG 4 reference
Annual customer satisfaction score for the customer service survey	Number	79.67	3C.1
Annual customer satisfaction score for the customer experience survey	Number	75.90	3C.2
Annual C-MeX score	Number	77.78	3C.3
Annual net promoter score	Number	20.00	3C.4
Total household complaints	Number	927	3C.5
Total connected household properties	Number	311,663	3C.6
Total household complaints per 10,000 connections	Number	29.744	3C.7
Confirmation of communication channels offered	TRUE or FALSE	TRUE	3C.8

Table 3C shows our C-MeX performance for 2024-25. The results for C-MeX for the year show that we have ranked fourth out of the 17 water companies.

C-MeX is made up of two elements, the satisfaction with our service from recent contact with the company, and the general experience. We continue to perform very well on our satisfaction score. 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.

Our score for 2024-25 means we will receive a reward of £0.157m

All this data has been audited by Jacobs.

Our quarterly survey scores are as follows:

2024-25	Q1	Q2	Q3	Q4	Annual
Satisfaction	79.50	75.46	80.32	82.84	79.67
Experience	79.24	77.72	72.66	73.85	75.90
C-Mex	79.37	76.59	76.49	78.34	77.78

We saw an increase in the number of household complaints, from 754 in 2023-24 to 927 in 2024-25. The increase in complaints is as a result of significant updates we undertook with our customer systems, including the replacement of our CRM platform and the launch of a new customer portal.

Total household complaints

Written	692
Telephony	223
Social media	2
Web chat	10
SMS	0
Visits	0
Total	927

The following communication channels are offered to customers:-

Phone

Post

Email

Webform

Twitter

Visit to our offices

PERFORMANCE SUMMARY

3D DEVELOPER SERVICES MEASURE OF EXPERIENCE (D-MEX)

Table 3D - Developer services measure of experience (D-MeX) table

Item	Unit	Value	RAG 4 reference
Qualitative component annual results	Number	84.89	3D.1
Quantitative component annual results	Number	100.00	3D.2
D-MeX score	Number	92.45	3D.3
Developer services revenue (water)	£m	1.941	3D.4
Developer services revenue (wastewater)	£m	-	3D.5

Calculating the D-MeX quantitative component				
Water UK performance metric	Unit	Reporting period (1 April to 31 March)	Quantitative score (annual)	RAG 4 reference
W1.1	%	100.00%		3D.W1
W2.1	%	100.00%		3D.W2
W3.1	%	100.00%		3D.W3
W4.1	%	100.00%		3D.W4
W5.1	%	100.00%		3D.W5
W6.1	%	100.00%		3D.W6
W8.1	%	100.00%		3D.W7
W16.1	%	100.00%		3D.W8
W18.1	%	100.00%		3D.W9
W27.1	%	100.00%		3D.W10
SLPM – S1/1	%	100.00%		3D.W11
SLPM – S1/2	%	100.00%		3D.W12
SLPM - S2/1a	%	100.00%		3D.W13
SLPM - S2/1b	%	100.00%		3D.W14
SLPM - S2/2a	%	100.00%		3D.W15
SLPM - S2/2b	%	100.00%		3D.W16
SLPM – S4/1	%	100.00%		3D.W17
SLPM – S5/1b	%	100.00%		3D.W18
SLPM – S7/1	%	100.00%		3D.W19
SLPM – S7/3	%	100.00%		3D.W20
SLPM – S3	%	100.00%		3D.W21
SLPM – S6	%	100.00%		3D.W22
WN1.1	%	100.00%		3D.W23
WN2.1	%	100.00%		3D.W24
WN2.2	%	100.00%		3D.W25
WN3.1	%	100.00%		3D.W26
WN4.1	%	100.00%		3D.W27
WN4.2	%	100.00%		3D.W28
WN4.3	%	100.00%		3D.W29
				3D.W30
D-MeX quantitative score (for the relevant reporting period)	%	100.00%		3D.7
D-MeX quantitative score (annual)	Number		1.00	3D.8

PERFORMANCE SUMMARY

Table 3D shows our D-MeX performance for 2024-25.

In 2024-25 we led the industry in the D-MeX assessment, being placed first among water companies - a significant improvement.

Our score for 2024-25 means we receive a reward of £0.150m.

All this data has been audited by Jacobs.

PERFORMANCE SUMMARY

3E OUTCOME PERFORMANCE – NON FINANCIAL PERFORMANCE COMMITMENTS

Table 3E - Outcome performance - Non financial performance commitments

	Unique reference	Unit	decimal places	Performance level - actual	PCL met?	RAG 4 reference
Common						
Risk of severe restrictions in a drought	PR19PRT_PRT-Water Resources-04	%	1	88.0	No	3E.1
Priority services for customers in vulnerable circumstances - PSR reach	PR19PRT_PRT-Retail-05	%	1	15.5	Yes	3E.2
Priority services for customers in vulnerable circumstances - Attempted contacts	PR19PRT_PRT-Retail-05	%	1	92.4	Yes	3E.3
Priority services for customers in vulnerable circumstances - Actual contacts	PR19PRT_PRT-Retail-05	%	1	44.1	Yes	3E.4
Bespoke PCs						
Resilience schemes to ensure peak demands can be met	PR19PRT_PRT-Network Plus-12	%	0	67	No	3E.6
Avoidance of water supply restrictions	PR19PRT_PRT-Water Resources-05	nr	0	0	Yes	3E.7
Carbon	PR19PRT_PRT-Network Plus-09	%	1	19.7	Yes	3E.8
Addressing Vulnerability	PR19PRT_PRT-Retail-04	%	0	87	Yes	3E.9
RoSPA	PR19PRT_PRT-Network Plus-10	category	0	Distinction	Yes	3E.10
WINEP Delivery	PR19PRT_NEP01	text	0	met	Yes	3E.11
Non-financial performance commitments achieved		%			80	3E.29

PERFORMANCE SUMMARY

Table 3E provides stakeholders with information on the performance against each of our reputational ODIs in 2024-25.

We have met six of the eight reputational ODIs. All of this data has been audited by Jacobs.

Looking at each ODI in turn:

Risk of severe drought

This ODI relates to the number of customers at risk of severe restrictions in a 1 in 200-year drought event. It is Ofwat's metric to quantify how companies are delivering against their Water Resources Management Plans. Our metering roll-out continues to be challenging and whilst we have had a degree of success in signing up customers to our GetWaterFit platform, the engagement by customers is lower than planned. To help compensate we are running projects to reduce non-household consumption. However, the combined benefits from our water efficiency activities are relatively small compared with those from leakage reduction, metering and supply-side schemes.

Priority Services Register

We are pleased to report that performance in all three Priority Services Register (PSR) metrics have exceeded target. The 'Reach' figure saw a large increase due to the data share with SSEN. This partnership became a two-way data share in April 2024. Other routes continued to be natural increases from business as usual activities and ongoing community involvement and newsletters. Attempted and Actual contacts met their targets due to outbound communication campaigns via letter, email and SMS. As a result, have significantly exceeded our end of AMP7 PSR Reach target of 9% and are currently at 15.5%. We made direct contact with 44% of customers on our PSR against a target of 35%. We attempted to contact a further 92% against a target of 90%.

Resilience schemes to ensure peak demand can be met

We completed two out of three planned schemes by the end of 2024-25. The one scheme we did not complete is delayed until 2027 due to complications with the ongoing M27 roadworks and the proximity of this with our scheme.

Avoidance of water restrictions

Groundwater levels did not cross our Level 1 trigger within 2024-25 and therefore our Drought Plan was not implemented. The last time we had to introduce restrictions was in 1976.

Carbon

We report a 19.7% reduction from the baseline figure against a target reduction of 5%. The reductions have been achieved through 100% renewable grid electricity contracts.

Addressing Vulnerability

We achieved a 87% satisfaction rating (target 85%) from the 58 organisations surveyed. Our Customer Support and Engagement Team have built additional alliances in the past year with support organisations who assist vulnerable clients. We actively promote our various schemes and tariffs to support organisations, which assists customers who will benefit from extra support. These good links enable organisations to refer customers direct to us for assistance, either by acting as an intermediary or providing us with information to make direct contact with a customer.

RoSPA

For the 20th consecutive year, we have achieved RoSPA's Gold Award for outstanding health and safety performance, earning us a place in RoSPA's Order of Distinction, the highest award that the RoSPA can bestow.

WINEP Delivery

We have 18 schemes in our agreed WINEP programme for AMP7, with eleven due by March 2025. All eleven schemes were completed on schedule for 2024-25.

PERFORMANCE SUMMARY

3F UNDERLYING CALCULATIONS FOR COMMON PERFORMANCE COMMITMENTS – WATER AND RETAIL

Table 3F - Underlying calculations for common performance commitments - Water and Retail

	Unit	Standardising data indicator	Standardising data numerical value	Performance level - Actual (current reporting year)	Performance level - Calculated (i.e. standardised)	RAG 4 reference
Performance commitments set in standardised units - Water						
Mains repairs - Reactive	Mains repairs per 1000 km	Mains length in km	3,412.60	133	38.97	3F.1
Mains repairs - Proactive	Mains repairs per 1000 km	Mains length in km	3,412.60	95	27.84	3F.2
Mains repairs	Mains repairs per 1000 km	Mains length in km	3,412.60	228	66.81	3F.3
Per capita consumption (PCC)	lpd	Total hh pop (000s) and hh consumption (Ml/d)	725.72	116.1	160.00	3F.4

	Unit	Performance level - actual (2017-18)	Performance level - actual (2018-19)	Performance level - actual (2019-20)	Baseline (average from 2017-18 to 2019/20)	Performance level - actual (2020-21)	Performance level - actual (2021-22)	Performance level - actual (2022-23)	Performance level - actual (2023-24)	Performance level - actual (2024-25)	Performance level 3 year average	Calculated performance level to compare against PCLs	RAG 4 reference
Performance commitments measured against a calculated baseline													
Leakage	Ml/d	32.4	28.3	24.4	28.4	23.6	26.9	32.2	28.2	28.1	29.5	-3.9	3F.5
Per capita consumption (PCC)	lpd	146.8	151.3	149.9	149.3	170.5	160.3	152.5	154.4	160.0	155.6	-4.2	3F.6

	Unit	Standardising data indicator	Standardising data numerical value	Total minutes lost	Number of properties supply interrupted	Calculated performance level	RAG 4 reference
Water supply interruptions							
Water supply interruptions ≥ 3 hours	Average number of minutes lost per property per year	Number of properties (thousands)	327.15	659,280	1,518	00:02:01	3F.7
Water supply interruptions							
Water supply interruptions ≥ 6 hours	Average number of minutes lost per property per year	Number of properties (thousands)	327.15	439,758	628	00:01:21	3F.7a
Water supply interruptions							
Water supply interruptions ≥ 12 hours	Average number of minutes lost per property per year	Number of properties (thousands)	327.15	306,231	341	00:00:56	3F.7b
Water supply interruptions							
Water supply interruptions ≥ 24 hours	Average number of minutes lost per property per year	Number of properties (thousands)	327.15	12,444	8	00:00:02	3F.7c

	Current company level peak week production capacity (PWPC) Ml/d	Reduction in company level PWPC Ml/d	Outage proportion of PWPC %	RAG 4 reference
Unplanned or planned outage				
Unplanned outage	299.4	2.50	0.83%	3F.8

	Total residential properties (000s)	Total number of households on the PSR (as at 31 March)	PSR reach	Total number of households on the PSR over a 2 year period	Number of attempted contacts over a 2 year period	Attempted contacts %	Number of actual contacts over a 2 year period	Actual contacts %	RAG 4 reference
Priority services for customers in vulnerable									
Priority services for customers in vulnerable circumstances	311.660	48,280	15.5%	26,554	24,537	92.4%	11,703	44.1%	3F.9

PERFORMANCE SUMMARY

Table 3F provides stakeholders with supporting information on a number of the ODIs reported in Tables 3A and 3E.

All of this data has been audited by Jacobs.

Looking at each component in turn:

Mains repairs

We have split our mains repairs between reactive and planned. In total we had 228 mains repairs in the year, and given our network length is of 3,413km as at 31 March 2025, we determine our ODI performance at 66.81 mains repairs per 1,000 km.

Per capita consumption

Water delivered to households is 116.0 Ml/d, which given the household population of 726k people results in an average household PCC of 160.0 litres per person per day.

Leakage and per capita consumption

Details of our three-year baseline calculation are given for both ODIs, with the actual performance for 2022-23, 2023-24 and 2024-25, allowing for a new three-year rolling average to be determined.

Water supply interruptions

The total minutes lost is shown as 659,280, which given our total property count of 327k results in an ODI performance of 2 mins 1 sec. In total 1,518 properties experienced an interruption to supply of more than three hours.

Unplanned outage

Our reduction in capacity because of unplanned outage is 2.50 Ml/d which results in a 0.83% reduction in Peak Week Production Capacity.

Priority Service Register

As of 31 March 2025, we have 48,280 customers on our PSR, which is 15.5% of our year end household base. We attempted to contact 24,537 customers on our base over the prior two years and were successful with 11,703 customers. This is a slight decrease on the previous year.

PERFORMANCE SUMMARY

3H SUMMARY INFORMATION ON OUTCOME DELIVERY INCENTIVE PAYMENTS

Table 3H - Summary information on outcome delivery incentive payments

	Initial calculation of performance payments (excluding CMEX and DMEX) £m (2017-18 prices)	RAG 4 reference
Initial calculation of in period revenue adjustment by price control		
Water resources	-	3H.1
Water network plus	(0.702)	3H.2
Residential retail	(0.045)	3H.5
Dummy control	-	3H.7
Initial calculation of end of period revenue adjustment by price control		
Water resources	(0.518)	3H.8
Water network plus	-	3H.9
Residential retail	-	3H.12
Dummy control	-	3H.14
Initial calculation of end of period RCV adjustment by price control		
Water resources	-	3H.15
Water network plus	-	3H.16
Residential retail	-	3H.19
Dummy control	-	3H.21

Table 3H provides stakeholders with supporting information on the financial impacts of the ODIs on revenue. Looking at each component in turn, in 2017/18 prices:

Business Unit	ODI	Reward / Penalty (£m)	Aggregate (£m)
Water Resources	Per Capita Consumption	-0.518	-0.518
Network Plus	Water supply interruptions	0.206	
	Leakage	-0.864	
	Water Quality Contacts	-0.044	
			-0.702
Retail	Voids	-0.045	-0.045
Total			-1.264

3I SUPPLEMENTARY OUTCOMES INFORMATION

Table 3I - Supplementary outcomes information

	Current company level peak week production capacity (PWPC) Ml/d	Reduction in company level PWPC Ml/d	Outage proportion of PWPC %	RAG 4 reference
Unplanned or plannned outage				
Planned outage	299.40	9.45	3.16%	3I.1

	Deployable output	Outage allowance	Dry year demand	Target headroom	Total population supplied	Customers at risk	RAG 4 reference
Risk of severe restrictions in drought							
Risk of severe restrictions in drought	202.75	19.09	182.12	5.60	764.31	100.00	3I.2

Table 3I provides stakeholders with further supporting information on the ODIs reported in Tables 3A and 3E.

Looking at each component in turn:

Planned outage

Our reduction in capacity due to planned outage is 9.45 Ml/d which results in a 3.16% reduction in Peak Week Production Capacity.

Risk of severe drought

The Ofwat table asks for a comparison with a severe drought condition and shows that 88% of customers are at risk of experiencing severe restrictions in a 1-in-200 year drought, on average, over 25 years.

Despite lower-than-average rainfall since September 2024, overall, our WRMP Annual Review has identified that the outturn scenario for 2024-25 was close to a 'normal year' condition. However, our WRMP Annual Review explores what our position would have been in 2024-25 if we had experienced a 1 in 200 year drought event.

The table below shows that in the unprecedented scenario that Southern Water Services had requested the full 30 Ml/d bulk supply every day throughout 2024-25 in a 1-in-200 year drought event, the supply demand balance would have been in deficit.

We continue to do everything within our capabilities to safeguard services to our customers and support regional supplies to Southern Water. We have improved our position since last year and recognise that further work is required to return to the forecast WRMP24 balance over the course of AMP8. To that end, we have developed detailed action plans for each key component of the Supply Demand Balance. This includes the completion of our final groundwater Deployable Output scheme, continued investment of money and resources to reduce leakage, the installation of thousands of meters as part of our universal smart metering programme and encouraging water efficiency including via GetWaterFit.

We can also confirm that we did not issue a Temporary Use Ban in 2024-25.

Annual Average	WRMP24 Forecast 2024-25	'Uplifted' Outturn Values 2024-25
Final Plan Deployable Output	221.66	218.84
Outage	6.60	4.46
Treatment works losses and operational use	2.40	3.60
Water Available For Use in a Dry Year (Own Sources) (DO-Outage-losses)	212.66	210.78
Potable water exported (bulk supplies to SWS and NAVs)	32.09	32.09
Total Water Available for Use (WAFU-Exports)	180.56	178.69
Distribution Input	178.34	185.96
Target headroom	4.96	4.96
Supply Demand Balance (Total WAFU – DI – Target Headroom)	**-2.74**	**-12.22**

Section 4

ADDITIONAL REGULATORY INFORMATION

ADDITIONAL REGULATORY INFORMATION

4A WATER BULK SUPPLY INFORMATION

Table 4A - Water bulk supply information for the 12 months ended 31 March 2025

	Volume	Operating costs	Revenue	RAG 4 reference
	Ml	£m	£m	
Bulk supply exports				
Southern Water - Sussex North	1,604.289	0.145	0.389	4A.1
Southern Water - Hampshire	1,229.471	0.187	0.351	4A.2
Leep - Graylingwell	77.787	0.015	0.049	4A.3
Leep - Berewood	158.160	0.031	0.139	4A.4
IWNL	196.277	0.038	0.086	4A.5
Southern Water - Havant Thicket	-	-	2.638	4A.6
Total bulk supply exports	3,265.985	0.415	3.652	4A.11

	Volume	Operating costs	
	Ml	£m	
Bulk supply imports			
Bulk supply 1	-	-	4A.12
Bulk supply 2			4A.13
Bulk supply 3			4A.14
Bulk supply 4			4A.15
Total bulk supply imports	-	-	4A.22

This table provides detail of the bulk supplies we made in 2024-25.

For this APR we continue to include bulk supplies to NAVs. We have three NAV sites in our region in 2024-25.

The volumes and revenues for all of these bulk supplies are taken from invoicing of our customers. We have determined the operating costs for the two Southern Water supplies in accordance with the specific operating and depreciation costs relating to the supplies. For the NAV supplies we have assumed that their cost is consistent with the generality of charges to our customers. This is because both are located within our general network and do not have dedicated infrastructure to enable the supply.

Finally, we have been instructed by Ofwat to include the future bulk supply to Southern Water which will be available when Havant Thicket is constructed. The sum of £2.6m relates to the payment by Southern Water in the year.

This data has been audited by Jacobs.

ADDITIONAL REGULATORY INFORMATION

4B ANALYSIS OF DEBT

Table 4B has been published as a separate addition to this document, due to its size and complexity.

ADDITIONAL REGULATORY INFORMATION

4C IMPACT OF PRICE CONTROL PERFORMANCE TO DATE ON RCV

Table 4C - Impact of price control performance to date on RCV

	12 months ended 31 March 2025			RAG 4 reference
	Water resources	Water network plus	Havant Thicket	
Totex (net of business rates, abstraction licence fees and grants and contributions)				
Final determination allowed totex (net of business rates, abstraction licence fees and grants and contributions)	6.374	34.591	26.322	4C.1
Actual totex (net of business rates, abstraction licence fees and grants and contributions)	5.761	39.237	49.913	4C.2
Transition expenditure				4C.3
Disallowable costs		0.001		4C.4
Total actual totex (net of business rates, abstraction licence fees and grants and contributions)	5.761	39.236	49.913	4C.5
Variance	(0.613)	4.645	23.591	4C.6
Variance due to timing of expenditure	2.691	5.560	23.591	4C.7
Variance due to efficiency	(3.304)	(0.915)	-	4C.8
Customer cost sharing rate - outperformance	40.00%	40.00%	0.00%	4C.9
Customer cost sharing rate - underperformance	50.00%	50.00%	0.00%	4C.10
Customer share of totex overspend	-	-	-	4C.11
Customer share of totex underspend	(1.322)	(0.366)	-	4C.12
Company share of totex overspend	-	-	-	4C.13
Company share of totex underspend	(1.982)	(0.549)	-	4C.14
Totex - business rates and abstraction licence fees				
Final determination allowed totex - business rates and abstraction licence fees	2.157	2.066	-	4C.15
Actual totex - business rates and abstraction licence fees	2.075	1.115	-	4C.16
Variance - business rates and abstraction licence fees	(0.083)	(0.951)	-	4C.17
Customer cost sharing rate - business rates	75.00%	75.00%	0.00%	4C.18
Customer cost sharing rate - abstraction licence fees	75.00%	75.00%	0.00%	4C.19
Customer share of totex over/underspend - business rates and abstraction licence fees	(0.062)	(0.713)	-	4C.20
Company share of totex over/underspend - business rates and abstraction licence fees	(0.021)	(0.238)	-	4C.21
Totex not subject to cost sharing				
Final determination allowed totex - not subject to cost sharing	-	0.312	-	4C.22
Actual totex - not subject to cost sharing	-	0.165	-	4C.23
Variance - 100% company allocation	-	(0.147)	-	4C.24
Total customer share of totex over/under spend	(1.384)	(1.079)	-	4C.25
RCV				
Total customer share of totex over/under spend	(1.384)	(1.079)	-	4C.26
PAYG rate	78.40%	69.12%	0.00%	4C.27
RCV element of totex over/underspend	(0.299)	(0.333)	-	4C.28
Adjustment for ODI out/under performance payment				4C.29
Green recovery				4C.30
RCV determined at FD at 31 March				4C.31
Projected 'shadow' RCV				4C.32

ADDITIONAL REGULATORY INFORMATION

4C IMPACT OF PRICE CONTROL PERFORMANCE TO DATE ON RCV

Table 4C - Impact of price control performance to date on RCV

	Price control period to date			RAG 4 reference
	Water resources	Water network plus	Havant Thicket	
Totex (net of business rates, abstraction licence fees and grants and contributions)				
Final determination allowed totex (net of business rates, abstraction licence fees and grants and contributions)	30.784	175.850	79.006	4C.1
Actual totex (net of business rates, abstraction licence fees and grants and contributions)	27.198	170.117	129.338	4C.2
Transition expenditure	-	-	-	4C.3
Disallowable costs	0.105	1.008	-	4C.4
Total actual totex (net of business rates, abstraction licence fees and grants and contributions)	27.093	169.109	129.338	4C.5
Variance	(3.692)	(6.741)	50.332	4C.6
Variance due to timing of expenditure	-	-	50.332	4C.7
Variance due to efficiency	(3.692)	(6.741)	-	4C.8
Customer cost sharing rate - outperformance	40.00%	40.00%	0.00%	4C.9
Customer cost sharing rate - underperformance	50.00%	50.00%	0.00%	4C.10
Customer share of totex overspend	-	-	-	4C.11
Customer share of totex underspend	(1.477)	(2.696)	-	4C.12
Company share of totex overspend	-	-	-	4C.13
Company share of totex underspend	(2.215)	(4.044)	-	4C.14
Totex - business rates and abstraction licence fees				
Final determination allowed totex - business rates and abstraction licence fees	10.787	10.328	-	4C.15
Actual totex - business rates and abstraction licence fees	10.118	7.152	-	4C.16
Variance - business rates and abstraction licence fees	(0.669)	(3.176)	-	4C.17
Customer cost sharing rate - business rates	75.00%	75.00%	0.00%	4C.18
Customer cost sharing rate - abstraction licence fees	75.00%	75.00%	0.00%	4C.19
Customer share of totex over/underspend - business rates and abstraction licence fees	(0.502)	(2.382)	-	4C.20
Company share of totex over/underspend - business rates and abstraction licence fees	(0.167)	(0.794)	-	4C.21
Totex not subject to cost sharing				
Final determination allowed totex - not subject to cost sharing	-	1.559	-	4C.22
Actual totex - not subject to cost sharing	0.130	3.658	-	4C.23
Variance - 100% company allocation	0.130	2.099	-	4C.24
Total customer share of totex over/under spend	(1.979)	(5.078)	-	4C.25
RCV				
Total customer share of totex over/under spend	(1.979)	(5.079)	-	4C.26
PAYG rate	82.95%	68.79%	0.00%	4C.27
RCV element of totex over/underspend	(0.337)	(1.585)	-	4C.28
Adjustment for ODI out/under performance payment	-	-	-	4C.29
Green recovery	-	-	-	4C.30
RCV determined at FD at 31 March	11.889	217.543	317.343	4C.31
Projected 'shadow' RCV	11.552	215.958	317.343	4C.32

ADDITIONAL REGULATORY INFORMATION

4D TOTEX ANALYSIS – WATER RESOURCES AND WATER NETWORK+

Table 4D - Totex analysis for the 12 months ended 31 March 2025 - water resources and water network+

£m	Water resources	Network+				Total	RAG 4 reference
		Raw water transport	Raw water storage	Water treatment	Treated water distribution		
Operating expenditure							
Base operating expenditure	6.451	-	0.016	5.458	16.505	28.430	4D.1
Enhancement operating expenditure	0.042		-	-	-	0.042	4D.2
Developer services operating expenditure					0.651	0.651	4D.3
Total operating expenditure excluding third party services	6.493	-	0.016	5.458	17.156	29.123	4D.4
Third party services	-	-	-	-	0.165	0.165	4D.5
Total operating expenditure	6.493	-	0.016	5.458	17.321	29.288	4D.6
Grants and contributions							
Grants and contributions - operating expenditure	-	-	-	-	0.862	0.862	4D.7
Capital expenditure							
Base capital expenditure	0.849	-	0.016	2.872	13.006	16.743	4D.8
Enhancement capital expenditure	0.559		-	2.033	8.497	11.088	4D.9
Developer services capital expenditure					1.083	1.083	4D.10
Total gross capital expenditure (excluding third party)	1.408	-	0.016	4.904	22.586	28.914	4D.11
Third party services	-	-	-	-	-	-	4D.12
Total gross capital expenditure	1.408	-	0.016	4.904	22.586	28.914	4D.13
Grants and contributions							
Grants and contributions - capital expenditure	-	-	-	-	1.293	1.293	4D.14
Net totex	7.901	-	0.032	10.362	37.752	56.048	4D.15
Cash expenditure							
Pension deficit recovery payments	-	-	-	-	-	-	4D.16
Other cash items	-	-	-	-	-	-	4D.17
Totex including cash items	7.901	-	0.032	10.362	37.752	56.048	4D.18

Atypical expenditure	Water resources	Network+				Total	
		Raw water transport	Raw water storage	Water treatment	Treated water distribution		
Item 1	-	-	-	-	-	-	4D.19
Item 2	-	-	-	-	-	-	4D.20
Total atypical expenditure	-	-	-	-	-	-	4D.24

ADDITIONAL REGULATORY INFORMATION

WHOLESALE TOTEX ANALYSIS

Totex variance analysis

In the PR19 Final Determination (FD), the allowed Totex expenditure is £45.5m, in 2024/25 prices excluding the ex-ante adjustment and Havant Thicket. The table below shows the comparison of the allowed expenditure against the actual expenditure for 2024/25.

Summary comparison of Totex expenditure against FD allowed expenditure.

2024-25 prices

	FD Totex	Actual Totex	Variance
Operating costs	23,095	25,700	2,605
Abstraction costs and Rates	4,223	3,189	(1,034)
Renewals Opex	4,300	140	(4,160)
Recharge to Retail	-	(156)	(156)
Disallowed costs	-	1	1
Base Operating Expenditure	31,618	28,874	(2,744)
Infra Capital costs	1,075	5,527	4,452
Non-Infra Capital costs	8,282	10,513	2,232
Base Capital Expenditure	9,357	16,040	6,683
Enhancement Capex Expenditure	5,459	12,772	7,313
Third Party Costs	312	677	365
Grants and Contributions	(1,246)	(2,155)	(908)
TOTEX	45,500	56,208	10,709
Havant Thicket	26,322	46,778	20,456
Wholesale Totex	71,822	102,986	31,165

Further detail on the variances is given below.

Base Totex

Base operating expenditure was less than the FD by £2.7m, including abstraction costs and business rates and opex mains renewals. This was primarily due to increased power costs and other operating costs, £2.6m which was offset by reduced abstraction costs £(1.0)m and lower renewals opex £(4.1)m.

Operating costs include a recharge to Retail Household of £0.2m. This relates to principal use assets in Wholesale and is an office rental charge at market rate.

Base capital expenditure was higher than the FD by £6.7m which was due to increased mains renewals, £4.4m (offsetting the renewals opex) and non-infrastructure maintenance costs higher by £2.2m. The total mains renewals expenditure (totex) for the year was slightly higher than the FD by £0.3m with 12.1km of pipe being renewed. The non-infrastructure spend was primarily due to early AMP8 work (excluding the allowed acceleration and transition expenditure) that will enable us deliver our AMP8 business plan.

Enhancement Totex

Enhancement expenditure is higher than the FD by £7.3m in 2024/25.

AMP7 programmes

In year spend on AMP7 programmes was £3.2m which was £(1.0)m lower than the FD reflecting the completion of our programme early. In the AMP to date there is an overspend across our enhancement programme of £2.2m. This includes additional spend on raw water deterioration of £1.6m and leakage enhancement of £1.2m, which was not in the FD, offset by low spend in our environmental programme.

Accelerated Schemes

ADDITIONAL REGULATORY INFORMATION

Ofwat has approved additional expenditure under the accelerated programme for the PR24 Smart Metering and Billing project, spend in year was £7.2m which was not included in the FD.

Transition Expenditure

Our spend on our AMP8 transition programmes was £0.8m focussed on our eCAF, WINEP and return to service of one of our WTW.

Further detail is shown in Table 4L.

Havant Thicket

Havant Thicket Winter Storage Reservoir Project continued in 2024/25, where the costs amounted to £46.7m primarily due to the completion of the 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. Further detail is in the Havant thicket Winter Storage Reservoir section.

ADDITIONAL REGULATORY INFORMATION

4H FINANCIAL METRICS

Table 4H - Financial metrics for the 12 months ended 31 March 2025

	Units	Current year	AMP to date	RAG 4 reference
Financial indicators				
Net debt	£m	207.766		4H.1
Regulatory equity	£m	339.009		4H.2
Regulatory gearing	%	38.00%		4H.3
Post tax return on regulatory equity	%	0.34%		4H.4
RORE (return on regulatory equity)	%	5.17%	1.97%	4H.5
Dividend yield	%	0.95%		4H.6
Retail profit margin - Household	%	-4.08%		4H.7
Credit rating - Fitch	Text			4H.9
Credit rating - Moody's	Text	Baa2 (stable)		4H.10
Credit rating - Standard and Poor's	Text			4H.11
Return on RCV	%	2.24%		4H.12
Dividend cover	dec	-1.73		4H.13
Funds from operations (FFO)	£m	9.303		4H.14
Interest cover (cash)	dec	1.91		4H.15
Adjusted interest cover (cash)	dec	0.94		4H.16
FFO/Debt	dec	0.04		4H.17
Effective tax rate	%	0.00%		4H.18
Retained cash flow (RCF)	£m	6.080		4H.19
RCF/Net debt	dec	0.03		4H.20
Borrowings				
Proportion of borrowings which are fixed rate	%	11.71%		4H.21
Proportion of borrowings which are floating rate	%	0.19%		4H.22
Proportion of borrowings which are index linked	%	88.09%		4H.23
Proportion of borrowings due within 1 year or less	%	11.81%		4H.24
Proportion of borrowings due in more than 1 year but no more than 2 years	%	0.03%		4H.25
Proportion of borrowings due in more than 2 years but but no more than 5 years	%	0.08%		4H.26
Proportion of borrowings due in more than 5 years but no more than 20 years	%	87.97%		4H.27
Proportion of borrowings due in more than 20 years	%	0.11%		4H.28

ADDITIONAL REGULATORY INFORMATION

COMMENTARY ON THE RoRE FINANCIAL METRIC

RoRE movements

Table 1F details the RoRE for the current year with the associated commentary.

Adjusted Interest Cover ratio

Ofwat have specified that companies should provide a breakdown of their Adjusted Interest Cover Ratio, to show how the Interest paid value used in the ratio ties back to the Net Interest paid in the Cashflow Statement.

£m	Interest Cover	Adjusted Interest Cover
Funds from operations	9.303	9.303
Interest paid (cash)	10.195	10.195
Regulated depreciation	-	9.943
Ratio	1.912	0.937

Revised ratios for Havant Thicket CAM adjustments

On 28 October 2022, Portsmouth Water submitted a request to amend the level of totex Ofwat included in its Havant Thicket Price Control for the period 2020-2030 (this is the cost adjustment mechanism or ‘CAM’).

Several of the financial ratios have been restated for the inclusion of the CAM additions. In particular, these adjustments impact the Gearing and Dividend Cover ratios. The CAM has been included in the midnight adjustment for 2024-25.

RCV and Gearing restated

Gearing excluding CAM	Opening RCV £m	Closing RCV £m	Average RCV £m	Closing Net Debt £m
Water Resources	9.8	11.6	10.7	-
Water Network	195.4	204.2	199.8	-
Havant Thicket	50.8	78.3	64.5	-
Total	256.0	307.8	275.1	207.8
Gearing ratio (excluding CAM)				70.6%
Gearing including CAM				
Water Resources	9.8	11.9	10.8	-
Water Network	195.4	217.5	206.5	-
Havant Thicket	125.7	317.3	221.5	-
Total	331.0	546.8	438.9	207.8
Gearing ratio (including CAM)				38.0%

ADDITIONAL REGULATORY INFORMATION

4I FINANCIAL DERIVATIVES

Financial derivatives

	Nominal value by maturity (net) at 31 March				Total value at 31 March		Total accretion at 31 March	Interest rate		RAG 4 reference
	0 to 1 years	1 to 2 years	2 to 5 years	Over 5 years	Nominal value (net)	Mark to Market		Payable	Receivable	
	£m	£m	£m	£m	£m	£m	£m	%	%	
Interest rate swap (sterling)										
Floating to fixed rate	9.142	80.862	8.996		99.000	1.171	-	3.13%	3.90%	4I.1
Floating from fixed rate					-		-	0.00%	0.00%	4I.2
Floating to index linked					-		-	0.00%	0.00%	4I.3
Floating from index linked					-		-	0.00%	0.00%	4I.4
Fixed to index-linked					-		-	0.00%	0.00%	4I.5
Fixed from index-linked					-		-	0.00%	0.00%	4I.6
Index-linked to index-linked				131.703	131.703	(0.603)	-	0.00%	0.00%	4I.7
Total	9.142	80.862	8.996	131.703	230.703	0.568	-			4I.8
Foreign Exchange										
Cross currency swap USD	-	-	-	-	-	-	-			4I.9
Cross currency swap EUR	-	-	-	-	-	-	-			4I.10
Cross currency swap YEN	-	-	-	-	-	-	-			4I.11
Cross currency swap Other	-	-	-	-	-	-	-			4I.12
Total	-	-	-	-	-	-	-			4I.13
Currency interest rate										
Currency interest rate swaps USD	-	-	-	-	-	-	-			4I.14
Currency interest rate swaps EUR	-	-	-	-	-	-	-			4I.15
Currency interest rate swaps YEN	-	-	-	-	-	-	-			4I.16
Currency interest rate swaps Other	-	-	-	-	-	-	-			4I.17
Total	-	-	-	-	-	-	-			4I.18
Forward currency contracts										
Forward currency contracts USD	-	-	-	-	-	-	-			4I.19
Forward currency contracts EUR	-	-	-	-	-	-	-			4I.20
Forward currency contracts YEN	-	-	-	-	-	-	-			4I.21
Forward currency contracts CAD	-	-	-	-	-	-	-			4I.22
Forward currency contracts AUD	-	-	-	-	-	-	-			4I.23
Forward currency contracts HKD	-	-	-	-	-	-	-			4I.24
Forward currency contracts Other	-	-	-	-	-	-	-			4I.25
Total	-	-	-	-	-	-	-			4I.26
Other financial derivatives										
Other financial derivatives	-	-	-	-	-	-	-			4I.27
Total financial derivatives	9.142	80.862	8.996	131.703	230.703	0.568	-			4I.28

ADDITIONAL REGULATORY INFORMATION

4J BASE EXPENDITURE ANALYSIS – WATER RESOURCES AND WATER NETWORK+

Table 4J - Base expenditure analysis for the 12 months ended 31 March 2025 - water resources and water network+

£m	Water resources	Water network+				Total	RAG 4 reference
		Raw water transport	Raw water storage	Water treatment	Treated water distribution		
Operating expenditure							
Power	1.915		0.001	0.522	2.200	4.638	4J.1
Income treated as negative expenditure				-		-	4J.2
Bulk supply				-		-	4J.3
Renewals expensed in year (infrastructure)				-		-	4J.4
Renewals expensed in year (non-infrastructure)				-	0.140	0.140	4J.5
Other operating expenditure	2.461		0.013	4.215	13.313	20.002	4J.6
Local authority and Cumulo rates	0.308		0.002	0.721	0.392	1.423	4J.7
Service Charges							
Canal & River Trust abstraction charges/ discharge consents						-	4J.8
Environment Agency / NRW abstraction charges/ discharge consents	1.767					1.767	4J.9
Other abstraction charges/ discharge consents						-	4J.10
Location specific costs & obligations							
Costs associated with Traffic Management Act	-	-	-	-	0.158	0.158	4J.11
Costs associated with lane rental schemes	-	-	-	-	0.302	0.302	4J.12
Statutory water softening	-	-	-	-	-	-	4J.13
Total base operating expenditure	6.451	-	0.016	5.458	16.505	28.430	4J.14
Capital expenditure							
Maintaining the long term capability of the assets - infra	-		-	-	6.796	6.796	4J.15
Maintaining the long term capability of the assets - non-infra	0.849		0.016	2.872	6.210	9.947	4J.16
Total base capital expenditure	0.849	-	0.016	2.872	13.006	16.743	4J.17
Traffic Management Act							
Projects incurring costs associated with Traffic Management Act	-	-	-	-	-	-	4J.18

ADDITIONAL REGULATORY INFORMATION

4L ENHANCEMENT CAPITAL EXPENDITURE BY PURPOSE – WHOLESALE WATER

Table 4L has been published as a separate addition to this document, due to its size and complexity.

ADDITIONAL REGULATORY INFORMATION

4N DEVELOPER SERVICES EXPENDITURE – WATER RESOURCES AND WATER NETWORK+

Table 4N - Developer services expenditure for the 12 months ended 31st March 2025 - water resources and water network+

£m	Water Network+			RAG 4 reference
	Treated Water Distribution			
	Capex	Opex	Totex	
New connections	-	0.651	0.651	4N.1
Requisition mains	0.796	-	0.796	4N.2
Infrastructure network reinforcement	0.287	-	0.287	4N.3
s185 diversions	-	-	-	4N.4
Other price controlled activities	-	-	-	4N.5
Total developer services expenditure	**1.083**	**0.651**	**1.734**	4N.7

ADDITIONAL REGULATORY INFORMATION

4P EXPENDITURE ON NON-PRICE CONTROL DIVERSIONS

Table 4P - Expenditure on non-price control diversions
for the 12 months ended 31 March 2025

£m	Water resources	Water network+	Total	RAG 4 reference
Non-price control diversions - opex				
Opex associated with NSWRA diversions	-	-	-	4P.5
Opex associated with other non-price control diversions	-	-	-	4P.6
Other developer services non-price control opex	-	-	-	4P.7
Developer services non-price control opex	-	-	-	4P.8

4Q DEVELOPER SERVICES – NEW CONNECTIONS, PROPERTIES AND MAINS

Table 4Q - Developer services - New connections, properties and mains

	Water	Total	RAG 4 reference
Connections volume data			
New connections (residential – excluding NAVs)	856	856	4Q.1
New connections (business – excluding NAVs)	113	113	4Q.2
Total new connections served by incumbent	969	969	4Q.3
New connections – SLPs	269		4Q.4
Properties volume data			
New properties (residential - excluding NAVs)	856		4Q.5
New properties (business - excluding NAVs)	113		4Q.6
Total new properties served by incumbent	969	-	4Q.7
New residential properties served by NAVs	947		4Q.8
New business properties served by NAVs	1		4Q.9
Total new properties served by NAVs	948	-	4Q.10
Total new properties	1,917	-	4Q.11
New properties – SLP connections	269		4Q.12
New water mains data			
Length of new mains (km) - requisitions	2		4Q.13
Length of new mains (km) - SLPs	4		4Q.14

This table relates to new connections, properties and new mains in the year 2024-25.

It allows third parties to understand the impact of both NAVs and self-lay providers in our region. We have continued to see a significant increase in activity from both compared to 2023-24.

This data has been audited by Jacobs.

ADDITIONAL REGULATORY INFORMATION

4R CONNECTED PROPERTIES, CUSTOMERS AND POPULATION

Table 4R - Connected properties, customers and population

	Units	Unmeasured	Measured	Total	Voids	RAG 4 reference
Customer numbers - average during the year						
Residential water only customers	000s	186.215	117.759	303.974	7.221	4R.1
Residential wastewater only customers	000s	-	-	-	-	4R.2
Residential water and wastewater customers	000s	-	-	-	-	4R.3
Total residential customers	000s	186.215	117.759	303.974	7.221	4R.4
Business water only customers	000s	1.536	11.908	13.444	2.085	4R.5
Business wastewater only customers	000s	-	-	-	-	4R.6
Business water & wastewater customers	000s	-	-	-	-	4R.7
Total business customers	000s	1.536	11.908	13.444	2.085	4R.8
Total customers	000s	187.751	129.667	317.418	9.306	4R.9

	Units	Water			
Property numbers - average during the year		Unmeasured	Measured	Total	
Residential properties billed	000s	186.215	117.759	303.974	4R.10
Residential void properties	000s			7.221	4R.11
Total connected residential properties	000s			311.195	4R.12
Business properties billed	000s	1.536	11.908	13.444	4R.13
Business void properties	000s			2.085	4R.14
Total connected business properties	000s			15.529	4R.15
Total connected properties	000s			326.724	4R.16

	Units	Water													
		Unmeasured						Measured						Total	
Property and meter numbers - at end of year (31st March)		No meter	Basic meter	AMR meter	AMI meter (capable)	AMI meter (active)	Total	No meter	Basic meter	AMR meter	AMI meter (capable)	AMI meter (active)	Total		
Total new residential properties connected in year	000s	-	-	-	-	-	-	-	0.856	-	-	-	0.856	0.856	4R.17
Total new business properties connected in year	000s	-	-	-	-	-	-	-	0.113	-	-	-	0.113	0.113	4R.18
Residential properties billed at year end	000s	183.164	-	-	-	-	183.164	-	120.671	-	0.005	0.513	121.189	304.353	4R.19
Residential properties unbilled at year end															4R.20
Residential void properties at year end	000s						2.777						4.533	7.310	4R.21
Total connected residential properties at year end	000s						185.941						125.722	311.663	4R.22
Business properties billed at year end	000s	1.513	-	-	-	-	1.513	-	11.846	-	-	-	11.846	13.359	4R.23
Business properties unbilled at year end															4R.24
Business void properties at year end	000s						0.372						1.754	2.126	4R.25
Total connected business properties at year end	000s						1.885						13.600	15.485	4R.26
Total connected properties at year end	000s						187.826						139.322	327.148	4R.27

Population data	Units	Water	Wastewater	
Resident population	000s	742.801	-	4R.28
Non-resident population (wastewater)	000s		-	4R.29

This table shows the number of properties, customers and population for the year 2024-25. Data is provided for both year average and year end. Our year average calculation is the simple average of the start and end of the year.

Residential data is determined directly from our billing system. Business data is derived from that provided by MOSL. For all data we differentiate between billed and connected properties. There is a category in the MOSL data called ‘vacant’ which we categorise as ‘voids’ as per the RAG4 guidance.

This data has been audited by Jacobs.

4V MARK-TO-MARKET OF FINANCIAL DERIVATIVES ANALYSED BASED ON PAYMENT DATES

Table 4V - Market-to-market of financial derivatives analysed based on payment dates

	Deratives - Analysed by earliest payment date				Deratives - Analysed by expected maturity date				RAG 4 reference
	Net settled	Gross settled outflows	Gross settled inflows	Total	Net settled	Gross settled outflows	Gross settled inflows	Total	
Due within one year	(0.565)	-	-	(0.565)	(0.565)	-	-	(0.565)	4V.1
Between one and two years	0.774	-	-	0.774	0.774	-	-	0.774	4V.2
Between two and three years	0.482	-	-	0.482	0.482	-	-	0.482	4V.3
Between three and four years	(0.031)	-	-	(0.031)	(0.031)	-	-	(0.031)	4V.4
Between four and five years	0.283	-	-	0.283	0.283	-	-	0.283	4V.5
After five years	(0.375)	-	-	(0.375)	(0.375)	-	-	(0.375)	4V.6
Total	**0.568**	**-**	**-**	**0.568**	**0.568**	**-**	**-**	**0.568**	4V.7

ADDITIONAL REGULATORY INFORMATION

4W DEFINED BENEFIT PENSION SCHEME – ADDITIONAL INFORMATION

Table 4W - Defined Benefit Pension Scheme - Additional Information

	Defined Benefit Pension Scheme			RAG 4 reference
	Pension scheme 1	Pension scheme 2	Pension scheme 3	
Scheme details				
Scheme name	Brockhampton Pension Scheme			4W.1
Scheme status	Closed to Future Accrual (from 1 April 2023)			4W.2
Scheme valuation under IAS/IFRS/FRS				
Scheme assets	100.215			4W.3
Scheme liabilities	100.215			4W.4
Scheme surplus / (deficit) Total	-			4W.5
Scheme surplus / (deficit) Appointed business	0.00%			4W.6
Pension deficit recovery payments	n/a			4W.7
Scheme valuation under part 3 of Pensions Act 2004				
Scheme funding valuation date	31/03/2025			4W.8
Assets	100.215			4W.9
Technical Provisions	100.215			4W.10
Scheme surplus / (deficit)	-			4W.11
Discount rate assumptions	0.057			4W.12
Recovery plan (where applicable)				
Recovery Plan Structure	n/a			4W.13
Recovery plan end date	n/a			4W.14
Asset Backed Funding (ABF) arrangements	n/a			4W.15
Responsibility for ABF arrangements	n/a			4W.16

ADDITIONAL REGULATORY INFORMATION

4X ACCELERATED INFRASTRUCTURE DELIVERY PROJECT EXPENDITURE – WATER RESOURCES AND WATER NETWORK+

Table 4X - Accelerated infrastructure delivery project expenditure for the 12 months ended 31 March 2025 - water resources and water network+

£m		Water resources	Expenditure in report year				Total	RAG 4 reference
			Water network+					
			Raw water transport	Raw water storage	Water treatment	Treated water distribution		
Accelerated infrastructure delivery project								
Smartmeter Infrastructure	Capex	-	-	-	-	6.951	6.951	4X.1
Smartmeter Infrastructure	Opex	-	-	-	-	-	-	4X.2
Smartmeter Infrastructure	Totex	-	-	-	-	6.951	6.951	4X.3

ADDITIONAL REGULATORY INFORMATION

4Z HOUSEHOLD BILL REDUCTION SCHEMES, DEBT AND GUARANTEED STANDARDS SCHEME (GSS) PAYMENTS

Table 4Z has been published as a separate addition to this document, due to its size and complexity.

Section 5

ADDITIONAL REGULATORY INFORMATION – WATER RESOURCES

ADDITIONAL REGULATORY INFORMATION – WATER RESOURCES

5A WATER RESOURCES ASSET AND VOLUMES DATA

Table 5A - Water resources asset and volumes data for the 12 months ended 31st March 2025

	Units	Input	RAG 4 reference
Water resources			
Water from impounding reservoirs	Ml/d	0.0	5A.1
Water from pumped storage reservoirs	Ml/d	0.0	5A.2
Water from river abstractions	Ml/d	16.0	5A.3
Water from groundwater works,excluding managed aquifer recharge (MAR) water supply schemes	Ml/d	174.57	5A.4
Water from artificial recharge (AR) water supply schemes	Ml/d	0.0	5A.5
Water from aquifer storage and recovery (ASR) water supply schemes	Ml/d	0.0	5A.6
Water from saline abstractions	Ml/d	0.0	5A.7
Water from water reuse schemes	Ml/d	0.0	5A.8
Number of impounding reservoirs	nr	0	5A.9
Number of pumped storage reservoirs	nr	0	5A.10
Number of river abstractions	nr	1	5A.11
Number of groundwater works excluding managed aquifer recharge (MAR) water supply schemes	nr	16	5A.12
Number of artificial recharge (AR) water supply schemes	nr	0	5A.13
Number of aquifer storage and recovery (ASR) water supply schemes	nr	0	5A.14
Number of saline abstraction schemes	nr	0	5A.15
Number of reuse schemes	nr	0	5A.16
Total number of sources	nr	17	5A.17
Total number of water reservoirs	nr	1	5A.18
Total volumetric capacity of water reservoirs	Ml	135	5A.19
Total number of intake and source pumping stations	nr	21	5A.20
Total installed power capacity of intake and source pumping stations	kW	4964	5A.21
Total length of raw water abstraction mains and other conveyors	km	25.61	5A.22
Average pumping head – raw water abstraction	m.hd	27.91	5A.23
Energy consumption - water resources (MWh)	MWh	9,760.542	5A.24
Total number of raw water abstraction imports	nr	0	5A.25
Water imported from 3rd parties to raw water abstraction systems	Ml/d	0.0	5A.26
Total number of raw water abstraction exports	nr	0	5A.27
Water exported to 3rd parties from raw water abstraction systems	Ml/d	0.0	5A.28
Water resources capacity (measured using water resources yield)	Ml/d	202.75	5A.29
Total number of completed investigations (WINEP/NEP), cumulative for AMP	nr	18	5A.30

This table provides detail of our Water Resources assets and associated volumes for 2024-25.

There are no significant issues to raise in this commentary.

This data has been audited by Jacobs.

ADDITIONAL REGULATORY INFORMATION – WATER RESOURCES

5B WATER RESOURCES OPERATING COST ANALYSIS

Table 5B - Water resources operating cost analysis for the 12 months ended 31st March 2025

£m	Impounding Reservoir	Pumped Storage	River Abstractions	Groundwater, excluding MAR water supply schemes	Artificial Recharge (AR) water supply schemes	Aquifer Storage and Recovery (ASR) water supply schemes	Other	Total	RAG 4 reference
Power	-	-	0.118	1.797	-	-	-	1.915	5B.1
Income treated as negative expenditure	-	-			-	-	-	-	5B.2
Abstraction charges/ discharge consents	-	-	0.311	1.456	-	-	-	1.767	5B.3
Bulk supply	-	-			-	-	-	-	5B.4
Other operating expenditure									
Renewals expensed in year (Infrastructure)	-	-			-	-	-	-	5B.5
Renewals expensed in year (Non-Infrastructure)	-	-			-	-	-	-	5B.6
Other operating expenditure excluding renewals	-	-		2.461	-	-	-	2.461	5B.7
Local authority and Cumulo rates	-	-		0.308	-	-	-	0.308	5B.9
Total operating expenditure (excluding 3rd party)	-	-	0.428	6.022	-	-	-	6.451	5B.10

Section 6

ADDITIONAL REGULATORY INFORMATION – WATER NETWORK+

ADDITIONAL REGULATORY INFORMATION – WATER NETWORK+

6A RAW WATER TRANSPORT, RAW WATER STORAGE AND WATER TREATMENT DATA

Table 6A - Raw water transport, raw water storage and water treatment data for the 12 months ended 31st March 2025

	Units	Input	RAG 4 reference
Raw water transport and storage			
Total number of balancing reservoirs	nr	0	6A.1
Total volumetric capacity of balancing reservoirs	Ml	0.0	6A.2
Total number of raw water transport stations	nr	0	6A.3
Total installed power capacity of raw water transport pumping stations	kW	0.0	6A.4
Total length of raw water transport mains and other conveyors	km	0.0	6A.5
Average pumping head ~ raw water transport	m.hd	0.0	6A.6
Energy consumption ~ raw water transport	mWh	0.0	6A.7
Total number of raw water transport imports	nr	0	6A.8
Water imported from 3rd parties' raw water transport systems	Ml/d	0.0	6A.9
Total number of raw water transport exports	nr	0	6A.10
Water exported to 3rd parties' raw water transport systems	Ml/d	0.0	6A.11
Total length of raw and pre-treated (non-potable) water transport mains for supplying customers	km	0.0	6A.12

Water treatment - treatment type analysis	Surface water		Ground water		
	Water treated Ml/d	Number of works	Water treated Ml/d	Number of works	
All simple disinfection works	0.00	0	55.50	8	6A.13
W1 works	0.00	0	0.00	0	6A.14
W2 works	0.00	0	7.87	1	6A.15
W3 works	0.00	0	0.00	0	6A.16
W4 works	0.00	0	104.03	8	6A.17
W5 works	13.64	1	0.00	0	6A.18
W6 works	0.00	0	0.00	0	6A.19

Water treatment - works size	% of total DI	Number of works	
WTWs in size band 1	1.0%	4	6A.20
WTWs in size band 2	2.0%	1	6A.21
WTWs in size band 3	18.5%	5	6A.22
WTWs in size band 4	34.8%	6	6A.23
WTWs in size band 5	13.1%	1	6A.24
WTWs in size band 6	30.6%	1	6A.25
WTWs in size band 7	0.0%	0	6A.26
WTWs in size band 8	0.0%	0	6A.27

Water treatment - other information	Units	Input	
Peak week production capacity (PWPC)	Ml/d	299.40	6A.28
Total peak week production capacity (PWPC) having enhancement expenditure for grey solution improvements to address raw water quality deterioration	Ml/d	7.38	6A.29
Total peak week production capacity (PWPC) having enhancement expenditure for green solutions improvements to address raw water quality deterioration	Ml/d	0.00	6A.30
Total water treated at more than one type of works	Ml/d	0.00	6A.31
Number of treatment works requiring remedial action because of raw water deterioration	nr	2	6A.32
Zonal population receiving water treated with orthophosphate	000's	674.473	6A.33
Average pumping head – water treatment	m.hd	6.50	6A.34
Energy consumption ~ water treatment	mWh	1584.852	6A.35
Total number of water treatment imports	nr	0	6A.36
Water imported from 3rd parties' water treatment works	Ml/d	0.00	6A.37
Total number of water treatment exports	nr	1	6A.38
Water exported to 3rd parties' water treatment works	Ml/d	2.97	6A.39

This table provides detail of our raw water assets (of which we have none), our water treatment assets and other associated data for 2024-25.

There are no significant issues to raise in this commentary.

We have no raw transport or storage. Water treatment has been classified by complexity of the treatment process.

This data has been audited by Jacobs.

ADDITIONAL REGULATORY INFORMATION – WATER NETWORK+

6B TREATED WATER DISTRIBUTION – ASSETS AND OPERATIONS

Table 6B - Treated water distribution - assets and operations for the 12 months ended 31st March 2025

	Units	Input	RAG 4 reference
Assets and operations			
Total installed power capacity of potable water pumping stations	kW	2297	6B.1
Total volumetric capacity of service reservoirs	Ml	470.6	6B.2
Total volumetric capacity of water towers	Ml	0.0	6B.3
Water delivered (non-potable)	Ml/d	0.00	6B.4
Water delivered (potable)	Ml/d	167.84	6B.5
Water delivered (billed measured residential properties)	Ml/d	42.19	6B.6
Water delivered (billed measured businesses)	Ml/d	31.69	6B.7
Proportion of distribution input derived from impounding reservoirs	Propn 0 to 1	0.000	6B.8
Proportion of distribution input derived from pumped storage reservoirs	Propn 0 to 1	0.000	6B.9
Proportion of distribution input derived from river abstractions	Propn 0 to 1	0.084	6B.10
Proportion of distribution input derived from groundwater works, excluding managed aquifer recharge (MAR) water supply schemes	Propn 0 to 1	0.916	6B.11
Proportion of distribution input derived from artificial recharge (AR) water supply schemes	Propn 0 to 1	0.000	6B.12
Proportion of distribution input derived from aquifer storage and recovery (ASR) water supply schemes	Propn 0 to 1	0.000	6B.13
Proportion of distribution input derived from saline abstractions	Propn 0 to 1	0.000	6B.14
Proportion of distribution input derived from water reuse schemes	Propn 0 to 1	0.000	6B.15
Total number of potable water pumping stations that pump into and within the treated water distribution system	nr	42	6B.16
Number of potable water pumping stations delivering treated groundwater into the treated water distribution system	nr	17	6B.17
Number of potable water pumping stations delivering surface water into the treated water distribution system	nr	1	6B.18
Number of potable water pumping stations that re-pump water already within the treated water distribution system	nr	22	6B.19
Number of potable water pumping stations that pump water imported from a 3rd party supply into the treated water distribution system	nr	0	6B.20
Total number of service reservoirs	nr	29	6B.21
Number of water towers	nr	0	6B.22
Energy consumption – treated water distribution (MWh)	MWh	14476.332	6B.23
Average pumping head – treated water distribution	m.hd	29.20	6B.24
Total number of treated water distribution imports	nr	0	6B.25
Water imported from 3rd parties to treated water distribution systems	Ml/d	0.00	6B.26
Total number of treated water distribution exports	nr	2	6B.27
Water exported to 3rd parties from treated water distribution systems	Ml/d	3.41	6B.28
Peak 7 day rolling average distribution input	Ml/d	205.36	6B.29
Peak 7 day rolling average distribution input / annual average distribution input	%	114.24%	6B.30
Water balance - company level			
Measured household consumption (excluding supply pipe leakage)	Ml/d	37.84	6B.31
Unmeasured household consumption (excluding supply pipe leakage)	Ml/d	78.25	6B.32
Measured non-household consumption (excluding supply pipe leakage)	Ml/d	30.99	6B.33
Unmeasured non-household consumption (excluding supply pipe leakage)	Ml/d	0.58	6B.34
Total annual leakage	Ml/d	28.09	6B.35
Distribution system operational use	Ml/d	1.35	6B.36
Water taken unbilled	Ml/d	2.28	6B.37
Distribution input	Ml/d	179.37	6B.38
Distribution input (pre-MLE)	Ml/d	179.76	6B.39
Components of total leakage (post MLE) - company level			
Leakage upstream of DMA	Ml/d	0.00	6B.58
87 Distribution main losses	Ml/d	13.05	6B.59
Customer supply pipe losses – measured households excluding void properties	Ml/d	3.82	6B.60
Customer supply pipe losses – unmeasured households excluding void properties	Ml/d	10.42	6B.61
Customer supply pipe losses – measured non-households excluding void properties	Ml/d	0.39	6B.62
Customer supply pipe losses – unmeasured non-households excluding void properties	Ml/d	0.04	6B.63
Customer supply pipe losses – void measured households	Ml/d	0.12	6B.64
Customer supply pipe losses – void unmeasured households	Ml/d	0.20	6B.65
Customer supply pipe losses – void measured non-households	Ml/d	0.06	6B.66
Customer supply pipe losses – void unmeasured non-households	Ml/d	0.01	6B.67

This table provides detail of our water distribution assets and other associated data for 2024-25.

There are no significant issues to raise in this commentary.

This data has been audited by Jacobs.

ADDITIONAL REGULATORY INFORMATION – WATER NETWORK+

6C WATER NETWORK+ – MAINS, COMMUNICATION PIPES AND OTHER DATA

Table 6C - Water network+ - Mains, communication pipes and other data for the 12 months ended 31st March 2025

	Units	Input	RAG 4 reference
Treated water distribution - mains analysis			
Total length of potable mains as at 31 March	km	3412.6	6C.1
Total length of potable mains relined	km	0.0	6C.2
Total length of potable mains renewed	km	12.1	6C.3
Total length of new potable mains	km	8.8	6C.4
Total length of potable water mains (< ≤320mm)	km	3055.2	6C.5
Total length of potable water mains >320mm and ≤ 450mm	km	150.1	6C.6
Total length of potable water mains >450mm and ≤610mm	km	148.8	6C.7
Total length of potable water mains > 610mm	km	58.5	6C.8
Treated water distribution - mains age profile			
Total length of potable mains laid or structurally refurbished pre-1880	km	50.7	6C.9
Total length of potable mains laid or structurally refurbished between 1881 and 1900	km	79.2	6C.10
Total length of potable mains laid or structurally refurbished between 1901 and 1920	km	115.4	6C.11
Total length of potable mains laid or structurally refurbished between 1921 and 1940	km	538.9	6C.12
Total length of potable mains laid or structurally refurbished between 1941 and 1960	km	437.1	6C.13
Total length of potable mains laid or structurally refurbished between 1961 and 1980	km	642.6	6C.14
Total length of potable mains laid or structurally refurbished between 1981 and 2000	km	797.3	6C.15
Total length of potable mains laid or structurally refurbished between 2001 and 2020	km	652.6	6C.16
Total length of potable mains laid or structurally refurbished during and after 2021	km	98.8	6C.17
Communication pipes			
Number of lead communication pipes	nr	80000	6C.18
Number of galvanised iron communication pipes	nr	17765	6C.19
Number of other communication pipes	nr	228959	6C.20
Number of lead communication pipes replaced or relined for water quality	nr	14	6C.21
Other			
Company area	km^2	864	6C.22
Compliance Risk Index	nr	2.63	6C.23
Event Risk Index	nr	0	6C.24
Properties below reference level at end of year	nr	14	6C.25

This table provides detail of our water distribution assets and other associated data for 2024-25.

There are no significant issues to raise in this commentary.

This data has been audited by Jacobs.

ADDITIONAL REGULATORY INFORMATION – WATER NETWORK+

6D DEMAND MANAGEMENT – METERING AND LEAKAGE ACTIVITIES

Table 6D - Demand management - Metering and leakage activities for the 12 months ended 31 March 2025

	Units	Basic meter	AMR meter	AMI meter	RAG 4 reference
Metering activities - Totex expenditure					
New optant meter installation for existing customers	£m	0.558	0.000	0.000	6D.1
New selective meter installation for existing customers	£m	0.853	0.000	0.000	6D.2
New business meter installation for existing customers	£m	0.000	0.000	0.000	6D.3
Residential meters renewed	£m	0.000	0.000	0.000	6D.4
Business meters renewed	£m	0.000	0.000	0.000	6D.5
Metering activities - Explanatory variables					
New optant meters installed	000s	1.534	0.000	0.000	6D.6
New selective meters installed	000s	1.864	0.000	0.000	6D.7
New business meters installed	000s	0.000	0.000	0.000	6D.8
Residential meters renewed	000s	0.000	0.000	0.000	6D.9
Business meters renewed	000s	0.000	0.000	0.000	6D.10
Replacement of basic meters with smart meters for residential customers	000s		0.000	0.512	6D.11
Replacement of AMR meter with AMI meters for residential customers	000s			0.000	6D.12
Replacement of basic meters with smart meters for business customers	000s		0.000	0.000	6D.13
Replacement of AMR meter with AMI meters for business customers	000s			0.000	6D.14
New residential meters installed for existing customers – supply-demand balance benefit	Ml/d	0.14	0.00	0.00	6D.15
New business meters install ed for existing customers – supply-demand balance benefit	Ml/d	0.00	0.00	0.00	6D.16
Replacement of basic meter with smart meters for residential customers – supply-demand balance benefit	Ml/d		0.00	0.00	6D.17
Replacement of AMR meter with AMI meter for residential customers– supply-demand balance benefit	Ml/d			0.00	6D.18
Replacement of basic meter with smart meters for business customers – supply-demand balance benefit	Ml/d		0.00	0.00	6D.19
Replacement of AMR meter with AMI meter for business customers– supply-demand balance benefit	Ml/d			0.00	6D.20
Residential properties - meter penetration	%	39.7	0.0	0.2	6D.21
Leakage activities - Totex expenditure	**Units**	**Maintaining leakage**	**Reducing leakage**	**Total**	
Total leakage activity	£m	5.009	0.483	5.492	6D.22
Leakage improvements delivering benefits in 2020-25	Ml/d			0.09	6D.23
Per capita consumption (excluding supply pipe leakage)					
Per capita consumption (measured customers)	l/h/d	134.63			6D.24
Per capita consumption (unmeasured customers)	l/h/d	176.08			6D.25

This table provides detail of our demand management and metering data for 2024-25.

We have exceeded the PR19 basic meter installations targets, although the numbers of customers on metered tariffs remains low. We have started our accelerated programme for smart meters.

This data has been audited by Jacobs.

ADDITIONAL REGULATORY INFORMATION – WATER NETWORK+

6F WRMP ANNUAL REPORTING ON DELIVERY – NON-LEAKAGE ACTIVITIES

Table 6F - WRMP annual reporting on delivery - non-leakage activities

Activity	Classification	Delivery year (in use)	Capital expenditure						Opex costs						Benefits (ML/d)						RAG 4 reference
			2020-21	2021-22	2022-23	2023-24	2024-25	After 2024-25	2020-21	2021-22	2022-23	2023-24	2024-25	After 2024-25	2020-21	2021-22	2022-23	2023-24	2024-25	After 2024-25	
Household water efficiency programme	Demand-side improvements delivering benefits in 2020-2025 (excl leakage and metering)	2020-21	0.000	0.000	0.000	0.000	0.000	0.000	0.032	0.076	0.120	0.054	0.011	0.000	0.00	0.00	0.00	0.01	0.07	0.07	6F.1
Maximising DO	Supply-side improvements delivering benefits in 2020-2025	2020-21	0.199	0.380	0.449	0.883	0.375	0.059	0.000	0.000	0.000	0.013	0.017	0.087	0.00	0.00	0.00	2.90	3.80	7.80	6F.2
Water saving devices - Spray taps	Demand-side improvements delivering benefits in 2020-2025 (excl leakage and metering)	2020-21	0.000	0.000	0.000	0.000	0.000	0.000	0.014	0.025	0.025	0.015	0.016	0.000	0.00	0.00	0.00	0.00	0.00	0.00	6F.3
Water saving devices - trigger nozzles for hoses	Demand-side improvements delivering benefits in 2020-2025 (excl leakage and metering)	2022-23	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.00	0.00	0.00	0.00	0.00	6F.4
Source S - Drought Permit	Supply-side improvements delivering benefits in 2020-2025	2020-21	0.000	0.000	0.067	0.077	-0.027	0.012	0.014	0.058	0.000	0.000	0.000	0.057	0.00	0.00	0.00	0.00	0.00	8.50	6F.5
Havant Thicket Winter Storage Reservoir	Supply-demand balance improvements delivering benefits starting from 2026	2029-30	6.802	5.808	27.100	33.625	45.618	315.819	0.000	0.000	0.000	0.000	0.000	0.793	0.00	0.00	0.00	0.00	0.00	23.00	6F.6
Mandatory Restraint	Demand-side improvements delivering benefits in 2020-2025 (excl leakage and metering)	2022-23	0.000	0.000	0.000	0.000	0.000	0.354	0.000	0.000	0.000	0.000	0.000	0.001	0.00	0.00	0.00	0.00	0.00	8.30	6F.7
Imposition of Drought Direction Restrictions	Demand-side improvements delivering benefits in 2020-2025 (excl leakage and metering)	2022-23	0.000	0.000	0.000	0.000	0.000	0.039	0.000	0.000	0.000	0.000	0.000	0.002	0.00	0.00	0.00	0.00	0.00	8.10	6F.8
Subsidy to customers that purchase water efficient appliances	Demand-side improvements delivering benefits in 2020-2025 (excl leakage and metering)	2022-23	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.00	0.00	0.00	0.00	0.00	6F.9
Water saving devices - Retrofitting existing toilets	Demand-side improvements delivering benefits in 2020-2025 (excl leakage and metering)	2022-23	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.00	0.00	0.00	0.00	0.00	6F.10
Total			7.001	6.188	27.616	34.585	45.966	316.283	0.060	0.159	0.145	0.082	0.044	0.940	0.00	0.00	0.00	2.91	3.87	55.77	

This table provides detail on the expenditure and benefits of supply and demand-side improvements outlined in our WRMP19 excluding metering and leakage management for 2024-25.

Section 9

ADDITIONAL REGULATORY INFORMATION – INNOVATION COMPETITION

ADDITIONAL REGULATORY INFORMATION – INNOVATION COMPETITION

9A INNOVATION COMPETITION

Table 9A - Innovation competition

£m	Current year 2017/18 prices	RAG 4 reference
Allowed		
Allowed innovation competition fund price control revenue	0.166	9A.1
Revenue collected for the purposes of the innovation competition		
Innovation fund income from customers	0.166	9A.2
Income from customers to fund innovation projects the company is leading on	-	9A.3
Income from other water companies to fund innovation projects the company is leading on	-	9A.4
Income from customers that is transferred to other companies as part of the innovation fund	0.134	9A.5
Non-price control revenue (e.g. royalties)	-	9A.6

	Total amount of funding awarded to the lead company through the innovation fund	Forecast expenditure on innovation fund projects in year (excl 10% partnership contribution)	Actual expenditure on innovation fund projects in year (excl 10% partnership contribution)	Difference between actual and forecast expenditure	Forecast project lifecycle expenditure on innovation fund projects (excl 10% partnership contribution)	Cumulative actual expenditure on innovation fund projects (excl 10% partnership contribution)	Difference between actual and forecast expenditure	Allowed future expenditure on innovation fund projects	Cumulative expenditure on innovation projects funded by shareholders of the lead water company	Cumulative expenditure on innovation projects funded by project partner contributions	RAG 4 reference
Difusing the Nitrate Timebomb	0.173	0.088	0.071	(0.017)	0.166	0.148	(0.018)	0.007	0.009	0.009	9A.5
Innovation project 2	-	-	-	-	-	-	-	-	-	-	9A.6
Innovation project 3	-	-	-	-	-	-	-	-	-	-	9A.7
Innovation project 4	-	-	-	-	-	-	-	-	-	-	9A.8
Innovation project 5	-	-	-	-	-	-	-	-	-	-	9A.9
Innovation project 6	-	-	-	-	-	-	-	-	-	-	9A.10
Innovation project 7	-	-	-	-	-	-	-	-	-	-	9A.11
Innovation project 8	-	-	-	-	-	-	-	-	-	-	9A.12
Innovation project 9	-	-	-	-	-	-	-	-	-	-	9A.13
Innovation project 10	-	-	-	-	-	-	-	-	-	-	9A.14
Total	0.173	0.088	0.071	(0.017)	0.166	0.148	(0.018)	0.007	0.009	0.009	9A.20

£m	Current year 2017/18 prices	RAG 4 reference
Administration		
Administration charge for innovation partner	0.008	9A.23

This table provides detail of the outcome of the innovation competition for 2024-25.

Section 10

ADDITIONAL REGULATORY INFORMATION – GREEN RECOVERY

ADDITIONAL REGULATORY INFORMATION – GREEN RECOVERY

10F ADDITIONAL REPORTING TO ACCOUNT FOR IMPACTS OF THE ACCELERATED INFRASTRUCTURE DELIVERY PROJECTS

Table 10F - Additional reporting to account for impacts of the accelerated infrastructure delivery projects for the 12 months ended 31 March 2025

SECTION 1: Water Resources and Water Network+

From Table 6C

Other	Units	Input	RAG 4 reference	Main table reference
Total length of new potable mains	km	8.8	10F.1	6C.4
Number of lead communication pipes replaced for water quality	nr	14	10F.2	6C.21

From Table 6D

Metering activities - Totex expenditure	Units	Basic meter	AMR meter	AMI meter	RAG 4 reference	Main table reference
New selective meter installation for existing customers	£m			-	10F.3	6D.2
New business meter installation for existing customers	£m			-	10F.4	6D.3
Residential meters renewed	£m			-	10F.5	6D.4
Business meters renewed	£m			-	10F.6	6D.5

Metering activities - Explanatory variables	Units	Basic meter	AMR meter	AMI meter	RAG 4 reference	Main table reference
New selective meters installed for existing customers	000s			-	10F.7	6D.7
New business meters installed for existing customers	000s			-	10F.8	6D.8
Residential meters renewed	000s			-	10F.9	6D.9
Business meters renewed	000s			-	10F.10	6D.10
Replacement of basic meters with smart meters for residential customers	000s		-	0.512	10F.11	6D.11
Replacement of AMR meter with AMI meters for residential customers	000s			-	10F.12	6D.12
Replacement of basic meters with smart meters for business customers	000s		-	-	10F.13	6D.13
Replacement of AMR meter with AMI meters for business customers	000s			-	10F.14	6D.14
New residential meters installated for existing customers – supply-demand balance benefit	Ml/d			-	10F.15	6D.15
New business meters installed for existing customers – supply-demand balance benefit	Ml/d			-	10F.16	6D.16
Replacement of basic meter with smart meters for residential customers – supply-demand balance benefit	Ml/d		-	0.00	10F.17	6D.17
Replacement of AMR meter with AMI meter for residential customers– supply-demand balance benefit	Ml/d			-	10F.18	6D.18
Replacement of basic meter with smart meters for business customers – supply-demand balance benefit	Ml/d		-	-	10F.19	6D.19
Replacement of AMR meter with AMI meter for business customers– supply-demand balance benefit	Ml/d			-	10F.20	6D.20

Metering activities - Impact on PCC and leakage performance	Units	Input	RAG 4 reference	Main table reference
Per capita consumption reduction	l/h/d	-	10F.21	
Leakage reduction	Ml/d	-	10F.22	

Leakage activities	Units	Input	RAG 4 reference	Main table reference
Leakage improvements delivering benefits in 2020-25	Ml/d	0.09	10F.23	6D.23

ADDITIONAL REGULATORY INFORMATION – GREEN RECOVERY

10H ACCELERATED SCHEMES DATA CAPTURE RECONCILIATION MODEL INPUT

Table 10H - Accelerated schemes data capture reconciliation model input for the 12 months ended 31 March 2025

Scheme 1	Cost 2022-25, £m
Smart metering	11.5

	Name	Unit	decimal places	Component level at completion	2024-25 Component level to date	2024-25 Percentage complete	2025-26 Component level to date	2025-26 Percentage complete	RAG 4 reference
Component 1	PR19 delivery basic meters – unmeasured properties	Nr	0	1,494	3,852	257.8%	-	-	10G.110
Component 2	Acceleration new AMI smart meters installed	Nr	0	470	-	0.0%	-	-	10G.111
Component 3	Acceleration AMI for basic replacements	Nr	0	30	512	1706.7%	-	-	10G.112
Component 4	Baseline basic meters	Nr	0	141,848	160,119	112.9%	-	-	10G.113

Section 11

ADDITIONAL REGULATORY INFORMATION – OPERATIONAL GREENHOUSE GAS EMISSIONS REPORTING

ADDITIONAL REGULATORY INFORMATION – OPERATIONAL GREENHOUSE GAS EMISSIONS REPORTING

11A OPERATIONAL GREENHOUSE GAS EMISSIONS REPORTING

Table 11A - Operational greenhouse gas emissions reporting
for the 12 months ended 31 March 2025

Line description	DPs	Water	Total	RAG 4 reference
		tCO2e	tCO2e	
Scope one emissions				
Burning of fossil fuels (location-based)	3	150.329	150.329	11A.1
Process and fugitive emissions	3	2.539	2.539	11A.2
Vehicle transport	3	367.996	367.996	11A.3
Emissions from land	3	- -		11A.4
Total scope one emissions (location-based)	3	520.863	520.863	11A.5
Scope one emissions; GHG type CO2	3	512.796	512.796	11A.6
Scope one emissions; GHG type CH4	3	0.235	0.235	11A.7
Scope one emissions; GHG type N2O	3	5.294	5.294	11A.8
Scope one emissions: GHG other types	3	2.539	2.539	11A.9
Scope two emissions				
Purchased electricity - location based	3	4,632.730	4,632.730	11A.10
Purchased electricity - market based	3	962.712	962.712	11A.11
Purchased heat	3	-	-	11A.12
Electric vehicles	3	-	-	11A.13
Removal of electricity to charge electric vehicles at site	3	-	-	11A.14
Total scope two emissions (location-based)	3	4632.730	4632.730	11A.15
Total scope two emissions (market-based)	3	962.712	962.712	11A.16
Scope two emissions; GHG type CO2	3	5,548.007	5,548.007	11A.17
Scope two emissions; GHG type CH4	3	20.137	20.137	11A.18
Scope two emissions; GHG type N2O	3	27.297	27.297	11A.19
Scope two emissions: GHG other types	3	-	-	11A.20
Scope three emissions				
Business travel	3	9.409	9.409	11A.21
Outsourced activities	3	299.937	299.937	11A.22
Purchased electricity; extraction, production, transmission and distribution (location-based)	3	1,525.299	1525.299	11A.23
Purchased heat; extraction, production, transmission and distribution	3	-	-	11A.24
Purchased fuels; extraction, production, transmission and distribution	3	118.325	118.325	11A.25
Chemicals	3	178.928	178.928	11A.26
Disposal of waste	3	121.266	121.266	11A.27
Total scope three emissions (location-based)		2,253.164	2,253.164	11A.28
Scope three emissions; GHG type CO2	3	0.000	0.000	11A.29
Scope three emissions; GHG type CH4	3	0.000	0.000	11A.30
Scope three emissions; GHG type N2O	3	0.000	0.000	11A.31
Scope three emissions: GHG other types	3	-	-	11A.32
Gross operational emissions (Scope 1,2 and 3)				
Gross operational emissions - location based	3	7,406.757	7,406.757	11A.33
Gross operational emissions - market based	3	962.712	962.712	11A.34
Emissions reductions				
Exported renewables (market based)	3	-	-	11A.35
Exported biomethane (market based)	3	-	-	11A.36
Green tariff electricity offsets	3	-	-	11A.37
Other emissions reductions	3	-	-	11A.38
Total emissions reductions	3	-	-	11A.39
Other				
Green tariff electricity	3	- 4,632.730		11A.40
Net annual emissions				
Net annual emissions - location based	3	7,406.757	7,406.757	11A.41

Line description	DPs	Water	RAG 4 reference
		kgCO2e/Ml	
GHG intensity ratios			
Emissions per Ml of treated water	3	112.524	11A.42
Emissions per Ml of sewage treated	3		11A.43

Line description	DPs	Water	RAG 4 reference
		tCO2e	
Captial projects			
Capital projects (cradle-to-gate)	3	-	11A.44
Capital projects (cradle-to-build)	3	19,433.350	11A.45
Purchased goods and services			
Purchased goods and services	3	6,139.302	11A.46

ADDITIONAL REGULATORY INFORMATION – OPERATIONAL GREENHOUSE GAS EMISSIONS REPORTING

The table provides detail on operational greenhouse gas emissions for 2024-25.

We have worked hard to reduce emissions by 19.7% compared to 2019-20.

This significantly outperforms our performance committment target of a 5% reduction in emissions.

DISCLOSURE OF TRANSACTIONS WITH ASSOCIATES

The transactions required to be disclosed under Condition F of the Company's Instrument of Appointment are set out below:

Borrowings or Sums Lent

Portsmouth Water Holdings Limited

The company had an inter-group loan agreement with Portsmouth Water Holdings Limited, its immediate parent company, permitting borrowing to a total facility value of £45.0m (facility value at March 2024 - £45m). The loan drawn down on the facility was £20.623m (loan drawn at 31 March 2024 - £20.623m), however, during FY25 this loan was fully repaid in August 2024. Interest payable on the loan for the year was £0.253m (2024 - £0.620m). Interest payable was charged at a fixed rate of 3% p.a. on the total amount drawn, payable six monthly in arrears.

In August 2024 a new loan of £30m was set up, this loan is repayable on demand as no facility is in place. Interest payable on the loan for the year was £0.908m. Interest payable is charged at a fixed rate of 5% p.a. on the total amount drawn, payable on demand.

Dividends paid to Associated Undertakings

Dividend policy aligns with regulatory guidance in Ofwat's PR19 Final Determination to reflect a yield of 4% on regulated equity on the average RCV of the company in the year. Details of our dividend policy are set out on pages 24 and 25.

Proposed dividend for financial year

The Directors propose a dividend of £2.9m based on the 4% of regulated equity (proposed dividend 2024 - £3.2m). The proposed dividend is anticipated to paid in July 2025 (proposed 2024 dividend was paid in September 2024).

Payments for Tax Losses

During the year Portsmouth Water Limited neither made nor received any payments relating to the surrender of tax losses to or from other group companies.

Supply of Services

Details of services supplied to the Appointee by associates during the year are disclosed below.

Service	Associate Company	Turnover of Associate (£000's)	Terms of Supply	Value (£000's)
Solar power income	Brockhampton Holdings Limited	183*	Market Tested	183
Solar power income	Brockhampton Solutions Limited	255**	Market Tested	255

*Brockhampton Holdings Limited accounts do not include any amounts classified as turnover. Amounts relating to rent and solar power income are included within other operating income which totals £183k (2024 - £140k), of which £179k (2024 - £132k) relates to total income from solar power.

**Brockhampton Solutions Limited accounts do not include any amounts classified as turnover. Amounts relating to solar power and other income are included within other operating income which totals £255k, of which £144k relates to total income from solar power.

Directors Remuneration and Other Services Provided

There was a recharge of Directors salaries amounting to £36,910 (2024 - £33,646) paid by Portsmouth Water Limited to Brockhampton Holdings Limited, representing the time spent by Portsmouth Water Executive Directors on Group matters.

There is also a recharge into the following entities relating to administrative time spent on Group matters:

	31 March 2025	31 March 2024
Brockhampton Pension Scheme	£0	£0
Brockhampton Holdings Limited	£17,919	£49,355
Brockhampton Property Investments Limited	£26,005	£52,715
Brockhampton Solutions Limited	£176,582	£20,277
South Downs Limited (charged into Brockhampton Property Investments Limited)	£12,189	£14,701
South Downs Capital Limited (charged into Brockhampton Property Investments Limited)	£0	£0
Ancala Fornia Limited	£12,189	£10,502
Ancala Fornia Midco Limited	£12,189	£8,261
Ancala Fornia Holdco Limited	£121,806	£21,860

We performed a review of the group recharges in 2024-25 and as a result have increased the level of recharges to better reflect the time spent by Finance on the group companies. This includes and allocation of contractor costs from the Finance team.

Statement by Board of Directors

To the best of their knowledge, the Directors of the Company declare that all appropriate transactions with associated companies have been disclosed.

Price Control Units

Portsmouth Water has closely followed the Ofwat guidance for the allocation of costs and assets between price control units. It believes that the only cross subsidy between them is the cost associated with the Head Office building. The market for rental in the local area has been studied in recent years, as part of a project to establish the options for the future leasing/purchase of a new Head Office building. An estimate of the annual leasing cost is £332k (2024 - £332k), and this has been allocated to the Retail and Water Resources business units on the basis of actual floor space.

REPORT OF THE INDEPENDENT AUDITOR

Independent Auditor's report to the Water Services Regulation Authority (the "WSRA") and Portsmouth Wated Limited ["the Company"]

Opinion

We have audited the sections of/tables within the Company's Annual Performance Report for the year ended 31 March 2025 ("the Regulatory Accounting Statements") which comprise:

- the regulatory financial reporting tables comprising the income statement (table1A), the statement of comprehensive income (table 1B), the statement of financialposition (table 1C), the statement of cash flows (table 1D), the net debt analysis(table 1E), the financial flows (table 1F) and the related notes; and
- the regulatory price review and other segmental reporting tables comprising thesegmental income statement (table 2A), the totex analysis for wholesale waterand wastewater (table 2B), the operating cost analysis for retail (table 2C), thehistorical cost analysis of fixed assets for wholesale and retail (table 2D), theanalysis of grants and contributions and land sales for wholesale (table 2E), thehousehold water revenues by customer type (table 2F), the non-household waterrevenues by customer type (table 2G), the non-household wastewater revenuesby customer type (table 2H), the revenue analysis & wholesale controlreconciliation (table 2I), the infrastructure network reinforcement costs (table 2J),the infrastructure charges reconciliation (table 2K), the analysis of land sales(table 2L), the revenue reconciliation for wholesale (table 2M), residential retailsocial tariffs (table 2N) and historical cost analysis of intangible assets (table 2O)and the related notes.

We have not audited the Outcome performance tables (3A to 3I) and the additional regulatory information in tables 4A to 4Y, 5A to 5B, 6A to 6F, 7A to 7F, 8A to 8D, 9A, 10A to 10H and 11A. We have also not audited table 2H which is in line with RAG 4.13.

In our opinion, the Company's Regulatory Accounting Statements have been properly prepared, in all material respects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA (RAG 1.09, RAG 2.08, RAG 3.15, RAG 4.13 and RAG 5.07) ("the Regulatory Accounting Guidelines") and the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.15, appendix 2), set out on page 82.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800 except as stated in the section on *Auditor's responsibilities for the audit of the Regulatory Accounting Statements within the Annual Performance Report* below, and having regard to the guidance contained in ICAEW Technical Release Tech 02/16 AAF (Revised) 'Reporting to Regulators on Regulatory Accounts' issued by the Institute of Chartered Accountants in England & Wales.

Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the Regulatory Accounting Statements within the Annual Performance Report section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit, including the Financial Reporting Council's (FRC's) Ethical Standard as applied to other entities of public interest, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – special purpose basis of preparation

We draw attention to the fact that the Regulatory Accounting Statements have been prepared in accordance with a special purpose framework, Condition F, the Regulatory Accounting Guidelines, the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.15, appendix 2) set out in the statement of accounting policies and under the historical cost convention. The nature, form and content of the Regulatory Accounting Statements are determined by the WSRA. As a result, the Regulatory Accounting Statements may not be suitable for another purpose. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA's purposes. Accordingly, we make no such assessment. In addition, we are not required to assess whether the methods of cost allocation set out in the accounting methodology statement are appropriate to the circumstances of the Company or whether they meet the requirements of the WSRA.

The Regulatory Accounting Statements are separate from the statutory financial statements of the Company and have not been prepared under the basis of United Kingdom Generally Accepted Accounting Practice ("UK GAAP"). Financial information other than that prepared on the basis of UK GAAP does not necessarily represent a true and fair view of the financial performance or financial position of a Company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

The Regulatory Accounting Statements on pages 70 to 77 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from UK GAAP. A summary of the effect of these departures from the Company's statutory financial statements is included in the tables within section 1.

Our opinion is not modified in respect of these matters.

Conclusions relating to going concern

The directors have prepared the Regulatory Accounting 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 Regulatory Accounting 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 inthe preparation of the Regulatory Accounting Statements is appropriate; and
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually orcollectively, may cast significant doubt on the Company's ability to continue as agoing 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:

- Inquiring of directors, the audit committee, and inspection of policydocumentation as to the Company's high level policies and procedures to preventand detect fraud, including the Company's channel for "whistleblowing", as wellas whether they have knowledge of any actual, suspected or alleged fraud;
- Using analytical procedures to identify any unusual or unexpected relationships;
- Reading Board and Audit Committee minutes;
- Considering remuneration incentive schemes and performance targets formanagement and directors

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, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, 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, and the risk of bias in accounting estimates and judgements such as provisions for household customer debt and capitalisation of costs relating to the capital programme.

On this audit we do not believe there is a fraud risk related to revenue recognition streams because the low value, high volume nature of transactions reduces the opportunities for fraudulent activity.

Further detail in respect of the provisions for household customer debt and capitalisation of costs relating to the capital programme are set out in in section 2 of this report.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing theidentified entries to supporting documentation. These included journals relatingto revenue, cash and borrowings posted to unexpected or unrelated accounts,and journals posted between operating costs and property, plant and equipmentby users we would not expect; and
- Assessing significant accounting estimates and judgements for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Regulatory Accounting Statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), 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.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

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 Regulatory Accounting Statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the Regulatory Accounting Statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pension

REPORT OF THE INDEPENDENT AUDITOR

legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related Regulatory Accounting Statements 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 Regulatory Accounting 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 regulations imposed by Ofwat, Environment Agency, Competition law, Drinking Water Inspectorate, GDPR compliance, health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Group'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 Regulatory Accounting 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 Regulatory Accounting 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 other information comprises all of the information in the Annual Performance Report other than the Regulatory Accounting Statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the Regulatory Accounting Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Regulatory Accounting Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Regulatory Accounting Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Regulatory Accounting Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report based on these responsibilities.

Responsibilities of the Directors for the Annual Performance Report

As explained more fully in the Statement of Directors' Responsibilities set out on pages 60 to 68, the directors are responsible for the preparation of the Annual Performance Report in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA and the Company's accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.15, appendix 2).

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of the Annual Performance Report that is free from material misstatement, whether due to fraud or error.

In preparing the Annual Performance Report, the directors are responsible for 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the Audit of the Regulatory Accounting Statements within the Annual Performance Report

Our objectives are to obtain reasonable assurance about whether the Regulatory Accounting Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Regulatory Accounting Statements.

A further description of our responsibilities for the audit of the Regulatory Accounting Statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report, except for the following.

The nature, form and content of the Regulatory Accounting Statements are determined by the WSRA. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA's purposes. Accordingly we make no such assessment. In addition, the Company has presented the allocation of operating costs and assets in accordance with the accounting policy for price control segments set out in note [x] and its accounting methodology statement. We are not required to assess whether the methods of cost allocation set out in the accounting methodology statement are appropriate to the circumstances of the Company or whether they meet the requirements of the WSRA, which would have been required if we were to express an audit opinion under ISAs (UK).

We have not assessed whether the accounting policies are appropriate to the circumstances of the Company where these are laid down by Condition F. Where Condition F does not give specific guidance on the accounting policies to be followed, our audit includes an assessment of whether the accounting policies adopted in respect of the transactions and balances required to be included in the Regulatory Accounting Statements are consistent with those used in the preparation of the statutory financial statements of the Company.

Use of this report

This report is made, on terms that have been agreed, solely to the Company and the WSRA in order to meet the requirements of Condition F of the Instrument of Appointment granted by the Secretary of State for the Environment to the Company as a water and sewage undertaker under the Water Industry Act 1991 ("Condition F"). Our audit work has been undertaken so that we might state to the Company and the WSRA those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under Condition F to procure such a report and (b) to facilitate the carrying out by the WSRA of its regulatory functions, 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 WSRA, for our audit work, for this report or for the opinions we have formed.

Our opinion on the Regulatory Accounting Statements is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2025 on which we reported on 27 June 2025, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

James Ledward

For and on behalf of
KPMG LLP
Chartered Accountants
Suite 6
New Kings Court Tollgate
Chandler's Ford
Eastleigh
SO53 3LG

XX July 2025

HAVANT THICKET WINTER STORAGE RESERVOIR

1 Executive Summary

The financial year to 31 March 2025 (FY25) has seen significant developments for the Havant Thicket Reservoir Project (the Project). In 2023 the project was subject to two major changes. Firstly, surveys during detailed design confirmed the presence of unforeseeable ground conditions, which required a change in design for the reservoir embankment. Secondly, Southern Water (SWS) and Ofwat asked Portsmouth Water (PW) to change the design of the reservoir, from a spring water-fed winter storage reservoir to a reservoir with two sources of water that would be in daily use.

While the project has been delayed and will increase in cost, addition of a second source of water would significantly increase value for money to customers and environmental benefits of the project, increasing the available supply for Southern Water's customers from up to 21Ml/d, to 111Ml/d.

Some of the most notable milestones achieved for the year were:

- Approval of changes to the reservoir embankment, in terms of planning permission and safety approvals in accordance with the Reservoir Act;
- Completion of construction trials, to provide assurance of design tolerances and construction methods;
- Commencement of permanent construction works in 2024, ready for the start of the 'big build' phase of the project in March 2025;
- Progression of the design to future proof the reservoir and its associated infrastructure, to have the capacity and flexibility to accommodate a second source of water from Southern Water's Hampshire Water Transfer and Water Recycling project;
- Continued implementation of environmental mitigation and compensation projects, which will ensure that the reservoir delivers a net gain to wildlife habitats.

Considerable efforts have gone into the Project to meet these key milestones; in this report further details are provided of:

- Engagement with SWS and Ofwat, to understand the degree to which unforeseeable ground conditions have required significant changes to the reservoir design.
- Engagement with SWS and Ofwat to progress the regulatory framework and commercial agreements with which to proceed with the Hampshire Water Transfer and Water Recycling (HWTWR) project alignment works.
- A significant increase in stakeholder engagement to progress planning conditions and consents, which have critical interfaces with the construction programme.
- Further design development and procurement activity, as we prepare for procurement of the Farlington to Nelson pipeline, the Visitor Centre, Southleigh Forest and watercourse improvements.

The Project continues to have the support of its stakeholders and community, however, public and local planning committee concern about recycled water has resulted in delays to planning permission for changes to the pipeline, and a committee meeting is anticipated in late April 2025. The completion of the project has been delayed by these changes, and the full impact of delay will not be known until full planning permission is granted. A regulatory Cost Adjustment Mechanism will be held in 2025 to address changes to cost and programme, including adjustment of Outcome Delivery Incentive dates.

PW welcomes Ofwat's continued support to the Project. PW has worked with Ofwat and SWS to secure continued support in the selection of strategies that enabled the Project to maximise environmental benefits, keep safety at the forefront of decision making and continue to deliver value for money to customers.

2 Introduction

This report provides summary of the key activities undertaken during the year to 31 March 2025 on the Project. It provides a high-level summary of the progress that has been made on the Project during the year and a description of the main activities undertaken.

The report has been prepared by PW and has been structured around key workstreams within the project:

- Bulk Supply Agreement
- Regulatory Alignment
- Design, Planning and Consents
- Procurement
- Construction
- Environmental Mitigation and Compensation
- Customer and Stakeholder Engagement
- Governance and Assurance
- Quality Management

3 Bulk Supply Agreement

On 29 January 2021, we signed an 80-year BSA with SWS which governs the supply of water from PW to SWS. Under the BSA, PW will be able to supply up to 21 million litres of water per day to SWS from the date the Project is completed, until the expiry of the BSA in 2100.

During the year leading to 31 March 2025, the requirements of the BSA have been met. The key activities undertaken during the year included:

- Administering the monthly JPAG meetings, which have maintained strong communication, governance and assurance of the Project
- Coordination of interfaces between the reservoir project and the Hampshire Water Transfer and Water Recycling (HWTWR) Project
- Agreeing key strategies, particularly with respect to the progression of HWTWR alignment works, which will future proof the reservoir so that it is ready to accommodate recycled water.
- Completing Construction Gateway Stage reviews for the Farlington to Nelson Main Works contract, reviewing design output packages at 75% maturity and as it approached 100% complete and construction ready design output, as a precursor to review of the full Invitation to Tender documents.
- SWS approval of the change in target price cost for the Main Pipeline Works contract with Ward & Burke associated with the change in scope to incorporate HWTWR Alignment Works (subject to further impact associated with planning permission, confirmation of SEMD and Section 106 Agreement requirements).
- Providing detailed technical information to SWS about the need for changes to the reservoir design considering more detailed ground condition survey information (related to unforeseen ground conditions). PW are progressing this through an Other Material Change in Circumstances (OMCC) process under the terms of its BSA with SWS.

4 Hampshire Water Transfer and Water Resources Project

In December 2021, SWS submitted details of its options appraisal for regional water resilience ("Water for Life Hampshire Programme") in its RAPID Gate 2 report along with a letter of support from the PW Board, in which Havant Thicket water recycling was identified as the preferred option. If approved, this would require changes to the operation of the reservoir by introducing the supply of highly treated recycled water to the reservoir and a direct pipe to transfer raw water from the reservoir to SWS treatment works at Otterbourne.

In 2023, PW and SWS signed the HWTWR Alignment Works Agreement, which enabled PW to stop work on certain aspects of the Havant Thicket 'classic' scope and focus on the design and planning permissions needed to implement these works which would future proof the reservoir to accommodate this second source of water with minimum delay to the project.

Figure 1. *Illustration of Hampshire Water Transfer and Water Resources Project*

During the year to 31 March 2025, PW has supported SWS to develop the project in greater detail.

The key activities undertaken during the year include:

- Maintaining regular Strategic Resource Options (SRO) meetings between SWS and PW to promote close collaboration and establishing several working groups to progress specific workstreams, including a Joint Water Quality Steering Group.
- Developing the design of works to support the physical interfaces between the two projects (Alignment Works) and submitting a new planning application to change the pipeline from Bedhampton Springs to the reservoir, from a single bi-directional pipeline to a dual pipeline solution.
- Extensive water quality modelling, to consider the impact of recycled water on the reservoir, pipelines, water treatment works and wildlife. It has been agreed that recycled water will require remineralisation to more closely resemble spring water, and further reduction of phosphorous to prevent algal blooming in the reservoir and downstream.
- Joint engagement with Ofwat to agree the process and terms under which the regulatory allowances would be adjusted for both companies.
- Under the HWTWR Alignment Works Agreement, SWS reimbursed PW for additional costs incurred in developing the design and planning application for these changes until September 2024, when Ofwat varied PW's scope for the reservoir. This enabled PW to continue to progress the project without waiting for planning permission and conclusion of the second Cost Adjustment Mechanism process (CAM2).
- While these Alignment Works will increase costs and delay completion of the reservoir by at least two years, they are accepted by Ofwat as providing significantly better value for money to customers, lower carbon emissions and lower impact to our local community when compared with implementing these works after the reservoir has been completed.
- SWS and PW have worked together to communicate and engage with stakeholders.
- Joint engagement with RAPID, working to complete their review of the SWS RAPID Gate 3 report and progression of priority

HAVANT THICKET WINTER STORAGE RESERVOIR

actions. It is intended to agree Heads of Terms for a second bulk supply agreement in 2025. SWS has reimbursed PW for the cost of supporting this RAPID process through the continued Collaboration Agreement.

5 Regulatory Alignment

A regulatory framework for the delivery of the Project was agreed with Ofwat at the Final Determination (PR19) which allowed PW to spend £123.6m over the period from 2020-2030 to develop and construct the Project and the supporting infrastructure to enable the supply of water to SWS. This investment will be made by PW and will form part of the company's overall Regulatory Capital Value (RCV).

In January 2023, Ofwat completed a Cost Adjustment Mechanism process (CAM1) with a final determination of the regulatory allowance of £339m (in November 2021 prices) to account for changes in scope arising from the planning application process, and procurement of the design and build contracts.

During the year to 31 March 2025, key activities undertaken during the year included:

- Providing updates to Ofwat throughout the year on the project progress.
- Working with Ofwat to respond to requests for further information in support of cost, scope and programme variations, this resulted in Ofwat concluding that certain ground conditions were reasonably unforeseeable at the time of CAM1, and that their impact should be included in the CAM2 process.
- PW provided detailed briefings on the scope of changes associated with the HWTWR Alignment Works, confirming the strategy for progressing the design, planning and construction with the minimum of delay.
- We worked with Ofwat to agree the conditions which need to be met and information provided to enable a second Cost Adjustment Mechanism, including the impact of unforeseen ground conditions and the HWTWR Alignment Works.
- Ofwat and PW agreed to use the HTR as a pilot project for the Major Projects Authority-style 'Critical Friend Review'.

Figure 2. *The project was used as a pilot for the Major Projects Authority-style 'Critical Friend Review'. The report concluded that the approach being adopted for addressing changes and for managing external stakeholder management are exemplary*

A. Project Finance and Accounting

Additional finance was secured for the design and construction phase in 2023 following the CAM final determination. Implementation of the HWTWR Alignment Works, and consideration of the impact of the OMCC related changes will result in the need for additional project finance.

During the year to 31 March 2025, key activities undertaken during the year included:

- Procurement of accounting advice, to understand the impact of the change in use of the reservoir associated with accommodation of a second source of water.
- Discussions with Moody's and commencement of a Ratings Assessment Service (RAS) assessment with the aim of maintaining the PW Baa2 credit rating, in preparation for the CAM2.
- Engaging the market to consider appropriate project finance vehicles for additional funding
- Engagement with Ofwat and PW's shareholder to agree a process which will enable the regulatory allowance to be determined through the CAM2 process.

6 Design, Planning and Consents

Following completion of ground investigations at the reservoir site in 2023-24, and the instruction of changes related to the HWTWR

Alignment Works, the year ending 31 March 2025 saw progression of the detailed design for the reservoir, and further ground investigations and detailed design of the new, dual pipeline route.

The project has benefited from a Common Data Environment, supporting a BIM enabled, integrated design and facilitating an efficient design review and assurance process. Design assurance has been carried out to comply with the regulatory requirements of the Reservoir Act, and the industry best practice recommendations of the 1985 Coxon Report.

The year also saw significant progress in securing planning and consents for the project.

PW has maintained a planning and consents team, both to continue work on discharging its obligations, and to provide support and continuity in the planning application process.

To mitigate the risk of delays to the ongoing planning and consents process, PW has continued a Planning Performance Agreement with the two local planning authorities, East Hampshire District Council and Havant Borough Council.

Despite these measures, the project experienced delays in securing planning permission for the HWTWR Alignment Works, in part due to local concerns about adding recycled water as a second supply. While the planning committee voted to approve the 'dual pipeline' planning application in May 2026, full planning permission has not yet been granted for the dual pipeline and this is now impacting on the critical path for the project.

A. Reservoir

Significant design, planning and consents activity for the reservoir included:

- Detailed design for the construction phase surface water management system, ground improvement zone, reservoir embankment, concrete culvert (tunnel) which will run under the embankment and the wetlands embankment structures
- Outline design for the wetlands habitat, reservoir control house, new pipeline which will be used to supply water to the reservoir, southern access road, Bedhampton pumping station and valve slab, SWS Alignment Works, including works to comply with SEMD regulations
- Completion of CAT3, Design Guardian and Panel of Specialists and Construction Engineer reviews, with sufficient approvals to enable commencement of the ground improvement zone, culvert and wetlands area
- The reservoir secured outline planning permission in 2021, with full and detailed planning permission subject to discharging 8 phases of detailed design submissions. In the year ending 31 March 2025, the reservoir secured planning permission for Phase 2 planning conditions relating to the wetlands habitat, Phase 3 planning conditions and a Section 73 amendment to the design of the embankment and control house.
- Significant progress with Environment Agency consents has included the Construction phase water discharge consent, which was granted to Future Water and the Impoundment licence granted to Portsmouth Water.

B. Pipelines

Surveys and detailed design development have been carried out for:

- The Bedhampton to Reservoir pipeline, changing from a single, bi-directional pipeline to a dual tunnel, dual pipeline solution.
- The Farlington to Nelson pipeline, including survey of an existing pipeline between Bedhampton and Farlington, design of a new pipeline between Farlington and Nelson service reservoir, a new pumping station and surge vessels at Farlington.

Figure 3. *Surveys have been completed along the length of pipelines to inform detailed design*

Planning applications have been submitted for:

- The Bedhampton, dual pipeline solution
- A new building associated with the pumping station and surge vessels at Farlington

C. Environmental compensation projects

Surveys and detailed design development have been carried out for:

- Water course enhancement projects (previously referred to as Article 4.7)
- Southleigh Forest Woodland Management Plan

7 Procurement

During the year to 31 March 2025, PW has undertaken the following key procurement activities:

- Greenscape was awarded a contract to maintain advanced planting and the tree translocation programme on the reservoir site.
- Urban Fabric was awarded a contract to progress the design of the Visitor Centre.
- Market engagement has continued for the Farlington to Nelson pipeline.

HAVANT THICKET WINTER STORAGE RESERVOIR

Figure 4. *Urban Fabric has been appointed to progress the design of the visitor centre. They designed the award-winning Attenborough Visitor Centre at Nottingham Nature Reserve (pictured)*

- Prequalification has started for an ecology survey framework, which will enable PW to meet its ongoing environmental compensation obligations.
- Prequalification has started for the watercourse improvement contracts, which will enable PW to meet its Article 4.7 Water Framework Directive obligations.

8 Construction

This has been an important year for the project, seeing the completion of enabling works and the commencement of permanent works, the 'big build phase' of the project. Significant construction activity has included:

- **Completion of enabling works at the reservoir site**

  Construction of haul roads and surface water management systems were completed in 2024.

- **Construction Trials**

  Detailed design elements such as clay compaction, sand blanket drain and filter drains and the 7m high concrete culvert have all been subject to construction trials, enabling design tolerances and construction methods to be put to the test and confirmed ahead of permanent works in 2025.

- **Stockpiling materials**

  Over 35,000m3 of specialist sand was delivered to site. This is critical to construction of the ground improvement zone, which will form the foundations of the two embankments.

- **Culvert**

  Construction of the 230m long concrete tunnel, which will run under the embankment started in early 2025.

- **Ground Improvement Zone**

  The earthworks season started in March 2025, enabling the start of the ground improvement zone for the main embankment.

- **Commencement of enabling works at the Bedhampton site**

  Vegetation clearance, removal of non-native species and construction of a haul road between the Bedhampton and the adjacent Bellway Homes site were completed.

- **Havant Thicket**

  Forestry England completed upgrades to bridleways, to maintain and improve recreational access around the reservoir site.

Figure 5. *Construction trials were completed ahead of permanent works*

The quality of construction work is assured by the Main Works Contractor's own commissioning and testing systems, by Portsmouth Water appointed NEC Supervisors, and for the reservoir by the Construction Engineer.

Figure 6. *March 2025 marked the beginning of the 'big build' phase of the project, with construction underway for a 230m concrete culvert and the embankment ground improvement zone*

A. Health, Safety and Wellbeing

PW continued to chair a Health, Safety, Wellbeing and Environment (HSWE) Leadership Team throughout the year, attended by senior representatives from both Main Works contractors. Working in collaboration with this leadership team, PW issued an updated Client's Health, Safety, Wellbeing and Environment Brief for the project in August 2024. This has been recognised as industry leading by HSE, Water UK, ICE and CDMDifferently.com.

PW has promoted leading safety measures, seeking to create an environment where everyone feels comfortable talking about health, safety and wellbeing. This includes safety training, toolbox talks and regular safety tours by senior managers from both the project, the wider PW business and SWS.

This approach has resonated with people on the project and has translated into very good health and safety performance, with:

- No HSE Reportable Incidents (RIDDORs)
- A rolling lost time injury frequency rate of 0 (compared with an industry average of 2,000 injuries resulting in up to 7 days off work, per 100,000 employees).
- A rolling 12-month accident injury rate of 188 (this compares with an industry average of 2,660 injuries per 100,000 employees).

B. Environmental Performance

The start of 2024 saw the wettest winter on record for the United Kingdom, and surface water management measures which worked well in 2023 were not sufficient to prevent silt discharges into local watercourses. Portsmouth Water brought specialist advisors onboard, providing additional assurance to Future Water, and worked in collaboration with the Environment Agency to develop an improved surface water management system. This resulted in a solution which:

- Took incoming water from streams to the north of the reservoir site, stored them in attenuation ponds and pumped this water through pipes across the site and directly to an outfall at the southern end of the site.
- Created additional settlement ponds on the reservoir site, to collect rainwater falling on open ground. Future Water uses this during dry weather to suppress dust by spraying dry ground. During wet weather this can be treated using 'silt busters' to remove fine clay before water is discharged into local water courses.
- Installation of silt screens and concrete gabions in drainage channels, to slow water flow and enable settlement of silt.

While this has resolved silt discharge from the reservoir site, high background levels of iron have been detected in water entering the site from streams to the north of the reservoir and in water leaving the site in late 2024. Investigations have been carried out into iron levels, and the Environment Agency has been invited to modify the permitted levels of iron to reflect high levels already found in the local area.

In other aspects, environmental performance has been good for the project. Over 1,660 frogs and toads, 220 fish, 134 slow worms, lizards, eels and newts, 34 voles, shrews and mice, 14 snakes and 1 hedgehog have all been successfully translocated from the reservoir site to ensure that wildlife has not been harmed during construction.

Figure 8. *Translocation has prevented harm to wildlife during construction*

PW has an Environment, Planning and Consents team, who work closely with contractors to promote good industry practice, through training, toolbox talks and regular safety audits. PW and Main Works Contractors report environmental performance monthly, reviewing key issues and trends at the HSWE Leadership Team meetings.

This approach has resonated well with people on the project, with interest from site operatives on measures being taken to protect wildlife and showing a keen interest in environmental toolbox talks on the subject.

9 Environmental Compensation

Despite the scale of the reservoir, the project will deliver a net gain to wildlife habitats. The scope of environmental schemes was defined in the 2021 planning application in an Environmental

HAVANT THICKET WINTER STORAGE RESERVOIR

Mitigation and Compensation Strategy. The environmental commitments made in the project planning application include the creation of more than 200 hectares of woodland and wood pasture.

Figure 9. *Volunteers from Portsmouth Water, Southern Water and our local community have planted over 330 trees in 2025*

Key activities in the last year have included:

- Ongoing Maintenance of the existing 'phase 1' planting.
- Progression of the 80-year contract with the Pig Shed Trust, to rewild 80 hectares of agricultural land at South Holt Farm using natural processes.
- Completion of wildlife surveys at Southleigh Forest and development of a forestry management plan, which has been approved by the Forestry Commission, Natural England and the County Ecologist. This will enable Portsmouth Water to contract long term forestry management. In the meantime, winter safety maintenance and other forestry management work have continued.
- Forestry England has completed watercourse improvement works (Article 4.7 (Aquatic Mitigation Works) in Havant Thicket. In parallel with this, detailed design of improvements to other water courses has completed to inform a procurement process.
- Forestry England has also completed other environmental compensation works, including clear felling certain areas to enable a transition from pine trees and improve biodiversity. Over 330 trees were planted in March 2025 as a part of this process.

10 Customer and Stakeholder Engagement

It was important to maintain the strong support which had been established during the planning application process, ensuring that stakeholders continued to feel informed about the project and to seek their input towards the development of detailed plans.

Figure 10. *Social media has been used to share progress on the project and promote project values*

In 2024-25 PW has continued to engage with local interest and community groups by providing presentations and giving groups an opportunity to be heard. Key activity included:

- Maintaining quarterly Strategic Advisory Group meetings, attended by around 70 different statutory bodies and representatives of local interest groups. In December, the independent chair, Ingrid Strawson handed over this role to Anne Buckley.
- Six stakeholder sub-groups have been maintained, to enable more detailed engagement with specific interest groups, including, Economy, Skills and Education, Recreation, Access, Environment, Pipeline, and Recycled water
- Consultation on the design of the wetlands, habitat design, southern access road and Farlington pumping station.
- Special events, including a ground-breaking ceremony in September 2024, two public open days at the reservoir site and

a DEFRA Secretary of State visit to mark the start of the 'big build phase' in March 2025.

Figure 11. *A ground-breaking event was held in September 2024*

- Hosting working party visits from local planning authorities ahead of the Havant planning committee meetings to consider Phase 2 and Phase 3 conditions.
- Presentations to local community groups, regulatory bodies, MPs, Horndean Parish Council, newly elected councillors and the PW Customer Scrutiny Panel.

Figure 12. *Presentations and working parties have raised awareness of the project, and provided focused sharing of best practice*

- 'Learning legacy' presentation at Utility Week and workshops with water companies, who are progressing reservoirs, including SES Water, Anglian Water and Affinity Water.
- Media engagement with New Civil Engineer, Portsmouth News, the Telegraph, BBC and ITV.
- Engagement with professional institutions, including the British Dam Society
- Engagement with local schools and academia has been particularly successful; the project now features as a case study in AQA GCSE Geography. Local schools have also created 'Ambassadors' who will regularly visit the reservoir, help to shape its design and report progress to their schools.
- PW has supported SWS by attending their public drop in events.

While surveys suggest that there is broad acceptance that water recycling is needed, significant engagement was needed to provide information to address some local concerns.

11 Governance and Assurance

The PW Board has continued to maintain oversight and control of the project, with continuation of the Havant Thicket Winter Storage Reservoir (HTWSR) Steering Committee and Commercial Steering Group throughout the year.

The HTWSR Steering Committee comprises the CEO, CFO and representatives of the Board together with the Project Team. The Steering Committee meets monthly as a formal sub-committee of the Board.

In addition, the Commercial Steering Group comprising the CEO, CFO, Project Director, Commercial Director, Delivery Director and members of the Project Team provided a fortnightly focus on strategic commercial matters.

Key activities included:

- Approval of the PMO resourcing plan for the financial year 2024-25.
- Approval of procurement strategies for Article 4.7 (watercourse improvement) works, and for the design of the Visitor Centre
- Approval of the tender evaluation criteria for the Farlington to Nelson pipeline
- Approval to instruct Ward & Burke to commence construction of a 'future proofed' access shaft ahead of planning permission, subject to the execution of an extension to the HWTWR Alignment Works Agreement and confirmation from Ofwat that this work was, 'no regrets.'
- Oversight of the financing for the project.

A. Monitoring and reporting

Monthly project update reports have been issued to SWS and Ofwat at JPAG and to our Board. These are produced through a structured project controls methodology, set out in a Project Management Plan. Project management controls and reports include, but are not limited to:

- 'Traffic light' dashboard reports with respect to key financial performance indicators and Ofwat ODI targets
- Monte Carlo risk analysis of the risk register, to provide visibility of risk compared with the contingency budget
- An integrated Primavera Programme to provide assurance in relation to key dates
- Financial reports of spend vs budget, highlighting variances and trends
- Progress and lookahead reports
- Decision support papers as required

Figure 14. *Members of the Board are actively engaged in assuring performance of the project and in approving key, strategic decisions*

B. Southern Water Governance

During the year to 31 March 2025, PW has extensively engaged with SWS colleagues on the project assurance, strategic alignment and the cost adjustment mechanism.

Under the BSA PW and SWS have maintained effective Project governance arrangements to provide oversight of the Project and to provide SWS with the necessary protections for its customers.

Engagement has focussed on the two significant changes to the project, including the impact of unforeseen ground conditions, which SWS agreed in the previous financial year, should be managed through the 'Other Material Change In Circumstances Process', set out in the BSA.

Key activities included:

- Development of control principles for the introduction of recycled water as a potential second source of water, and negotiation of commercial terms which will inform Heads of Terms for a second, related, Bulk Supply Agreement.
- Extension of the HWTWR Alignment Works Agreement, through which SWS agreed to reimburse PW for design and planning development related to this change.
- Extension of the Collaboration Agreement, through which SWS agrees to reimburse PW for continued support to their RAPID funded HWTWR Strategic Resource Option (SRO) scheme.
- Approval of changes in scope and target price to the Main Pipelines Works contract with Ward & Burke, to instruct the HWTWR related Alignment Works
- Attendance at a design gateway review for the Farlington to Nelson pipeline.

12 Project Management Team and Management Systems

Over the course of the year to 31 March 2025, PW has continued to develop the project management team, ready for the 'big build' phase for the project.

Key activities include:

- Appointment of a project Commercial Director, reporting to the CEO.
- Appointment of an interim Delivery Director. A permanent Delivery Director has been appointed and is due to join the team in June 2025.
- Growth of the team, applying a blended resource strategy – combining PW employees with specialist service providers.
- Mobilisation of interim resource to assess significant compensation events from the two Main Works contractors.

The HTR Project Management Plan has been updated and sits within a wider quality management system for Portsmouth Water. The Project Management Plan is supported by several manuals, management plans, processes and procedures.

13 Conclusions and Next Steps

The last year has seen progression of detailed design, discharge planning permissions and commencement of the 'big build phase' of the project.

This has been completed in parallel with work with SWS and Ofwat to progress a change in scope that will provide the flexibility and capacity to accommodate water from the SWS Hampshire Water Transfer and Water Recycling Project.

While this change in scope will delay completion of the project, making the change at this stage will result in significantly lower cost, carbon impact and disruption to the local community when compared with the impact of making these changes later. The full impact on the programme will not be known until full planning permission is granted for changes to the design.

The project is now preparing for the second Cost Adjustment Mechanism with Ofwat, which will:

- Increase the regulatory allowance for the project
- Enable PW to raise further finance for the increased cost and duration of the project
- Result in new ODI dates being set by Ofwat for dry and wet commissioning of the reservoir

MONITORING OUR LONG-TERM DELIVERY STRATEGY

Our Long-Term Delivery Strategy (LTDS) sets out the challenges and the decisions we must make to continue to ensure that we can deliver our vision and our long-term priorities on behalf of our customers.

We developed the LTDS alongside our customers, our communities, and our regional partners, ensuring that we can deliver best value for the South East, protecting our precious resources and preparing us for the future challenges we face.

We created our LTDS using adaptive planning, considering, and forecasting, the potential challenges we may face in the future, as well as identifying the interventions and activities that we must do to ensure that we can continue to supply our customers and serve the environment for generations to come.

Our LTDS brings together insight we gathered and the plans we have already created for strategic planning. It combines our Water Resources Management Plan (WRMP) and Water Industry National Environment Programme (WINEP) with our Resilience, Raw Water Deterioration and Lead strategies into a single, holistic, adaptive plan covering the period 2025-2050.

This plan was the first of its kind, and its sets out the challenges that we may face from the emerging risks of climate change, demand, abstraction reductions, technology, and a change in legislation for lead. It builds upon the work we have already conducted to develop an adaptive WRMP and considers the broader needs of the organisation to ensure we can achieve our ambition.

The plan demonstrates our commitment to deliver our vision “Excellence in Water. Always” building on the four priorities we have developed:

- 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.

In the LTDS we set out a Core Pathway of activities (figure 1), which we must follow to provide us with a platform of no and low regret investment options to ensure we can meet the requirements of all futures scenarios that have been considered. We set out the points in time at which we must decide whether our current investment decisions will allow us to deliver against the emerging challenges of the future, or whether we need to do things differently.

In those cases where we believe we require further investment we will then trigger an alternative pathway; a plan of additional investment options that we must now undertake to ensure that we can continue to meet our operational requirements and deliver our long-term Vision.

MONITORING OUR LONG-TERM DELIVERY STRATEGY

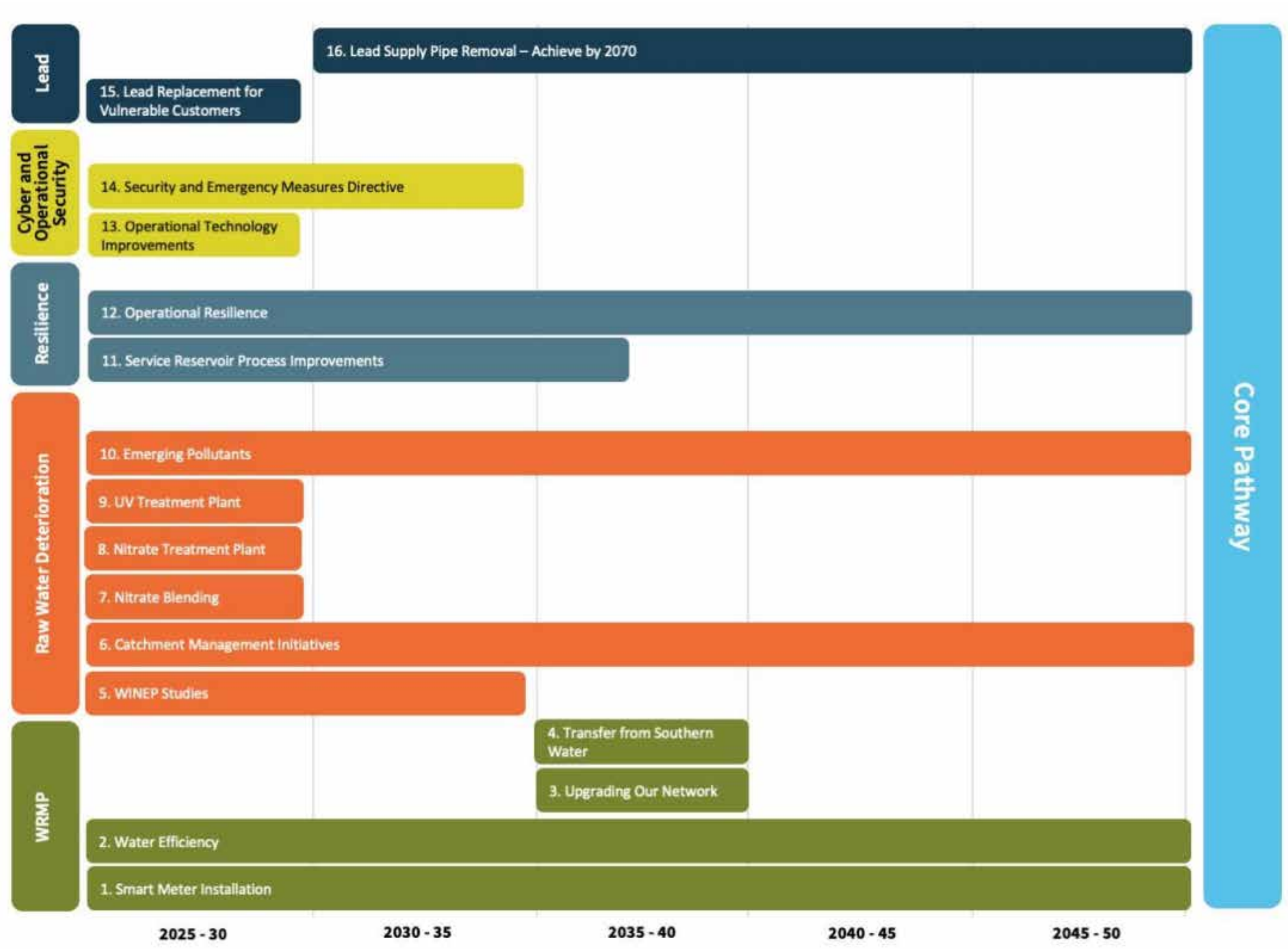


Figure 1. *Portsmouth Water Long-Term Delivery Strategy Core Pathway*

We are committed to ensuring that we can continue to achieve our vision, our priorities and meet our performance commitments over the long term. As part of the LTDS process we carefully monitor key metrics that will help us decide whether we need to move to an adaptive pathway.

We have introduced a robust review process (figure 2) that will guide the monitoring and review of our plans, which is set out below.

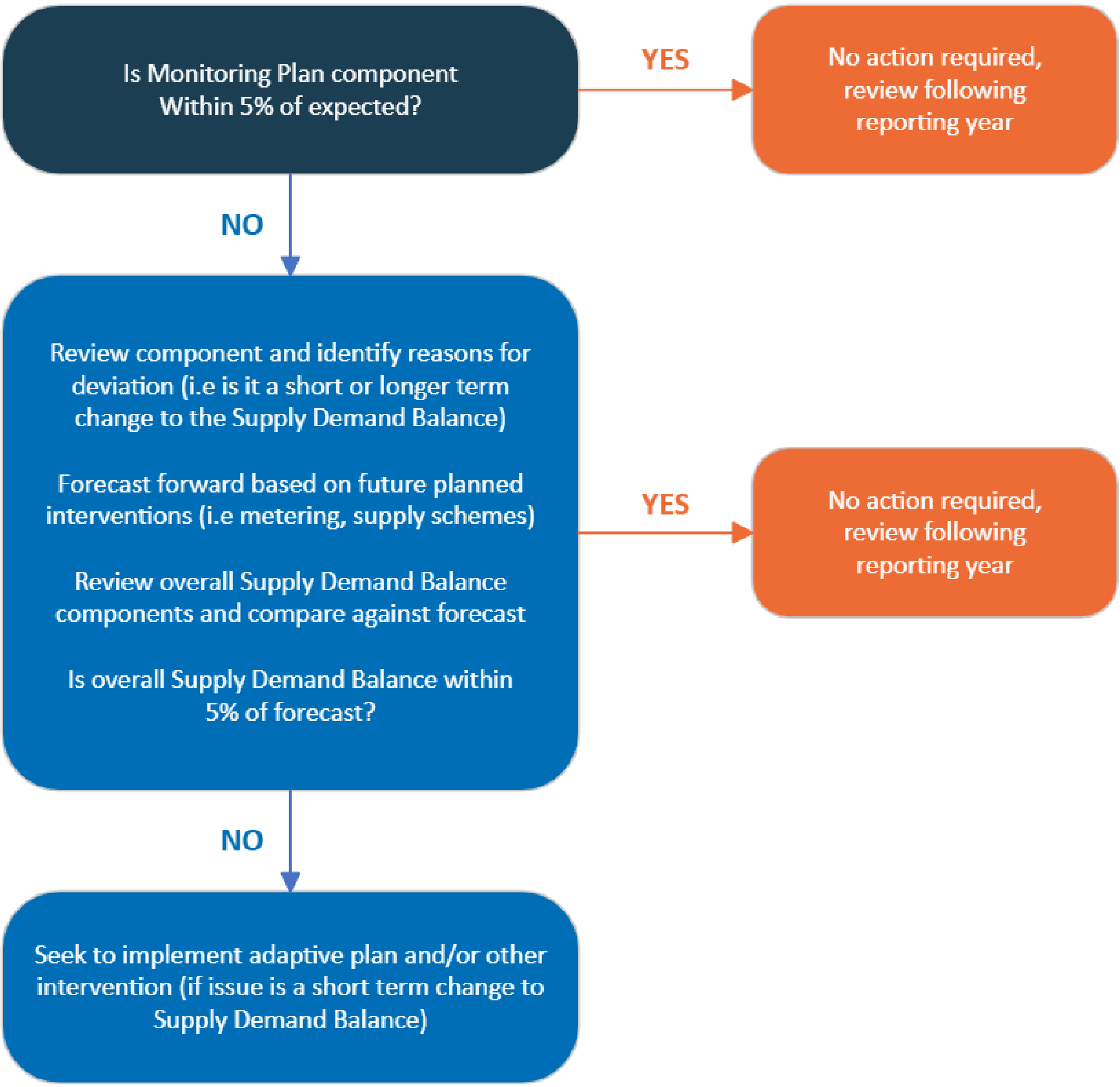


Figure 2. *Portsmouth Water's LTDS Monitoring Process*

We have identified several metrics that we deem essential to ensure we are able to remain informed and identify the points at which we may need to adapt our programme. Our performance against these metrics is set out in our monitoring plan (Table 1 below).

Component	Metric	2023-24	Expected 2024-25	Outturn 2024-25	Within 5% of Expected	Intervention Required
Population Growth	Change in Distribution Input (Ml/d)	177.9	174.2	179.4	Yes	No
	Property count (#)	325,573	331,172	326,724	Yes	No
	Population (#)	754,110	753,387	742,801	Yes	No
Climate Change	Impact on Deployable Output (Ml/d)	-9.1	To be reviewed as part of development of the next WRMP (WRMP29).			
Environmental Policy	Change in Deployable Output (Ml/d)	Reduction of 122 Ml/d by 2049/50.	To be reviewed after completion of the AMP8 WINEP in December 2026, and as part of the development of WRMP29.			
Water Quality Regulation	Change in Lead Standard (µg/L)	5	5	5	Yes	No
License Variation	Change in Deployable Output (Ml/d)	221.8	221.7	221.7	Yes	No
Progress of Demand Side Options	Reduction in Distribution Input (Ml/d)	0.0	16.5	16.5	Yes	No
Outage	Change in Outage (Ml/d)	8.9	6.6	4.5	No	No - Improvement compared to 24/25 expected position
Supply-demand balance	Change in Supply Demand Balance (Ml/d)	-21.2	-2.74	-12.2	No	Yes - In progress
	Headroom (Ml/d)	5.1	5.0	5.0	Yes	No

Table 1. *Portsmouth Water's LTDS Monitoring Plan*

The most significant challenge we face is ensuring that we can maintain our supply demand balance. We have deviated greater than 5% from our expected position and have subsequently reviewed the contributing and supporting factors to understand the impact.

We would like to reassure our customers, regulators and stakeholders that we are taking the necessary steps and have an action plan to safeguard services to our customers. We have improved our position since last year and recognise that further work is required to return to the forecast balance over the course of AMP8. To that end, we have developed detailed action plans for each key component of the Supply Demand Balance.

A major part of our strategy is the rollout of our smart metering programme, which commenced in April 2025. We have made substantial progress by installing over 20,000 additional not-for-revenue meters. These meters will catapult our smart metering journey in the early years of AMP8. This initiative is expected to significantly reduce household and non-household consumption and tackle customer-side leakage. We estimate that through the rollout of our smart metering programme we will reduce customer-side leakage by 2.12 Ml/d by 2030.

The outlook for 2025–26 includes further positive developments. The return of the Slindon source to service will benefit the supply demand balance in the next annual review. We also expect to complete our final AMP7 deployable output improvement scheme.

Progress also continues at pace on the Havant Thicket winter storage reservoir, as we move confidently into the Big Build phase. Risks and opportunities associated with the reservoir project monitored closely and are covered in the dedicated section of this report (page 186).

Looking ahead, we expect to be broadly re-aligned with our expected forecast by the end of March 2027 and therefore we do not propose to move to an alternative plan in our LTDS at this stage. We will continue to monitor progress through our LTDS monitoring plan and report in future annual performance reports.

Our promise to all of our customers:

‘We aim to supply drinking water of the highest quality, providing high levels of customer service and excellent value for money.’

Portsmouth Water

head.office@portsmouthwater.co.uk
023 9249 9888

PO Box 99, West Street, Havant,
Hampshire, PO9 1LG