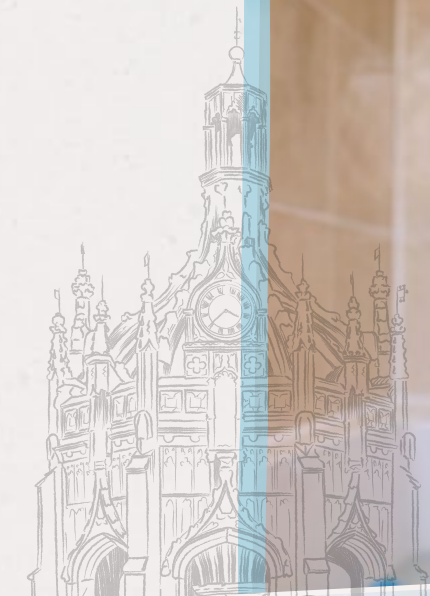


Portsmouth Water Limited

Annual Performance Report and Accounts
2025-26



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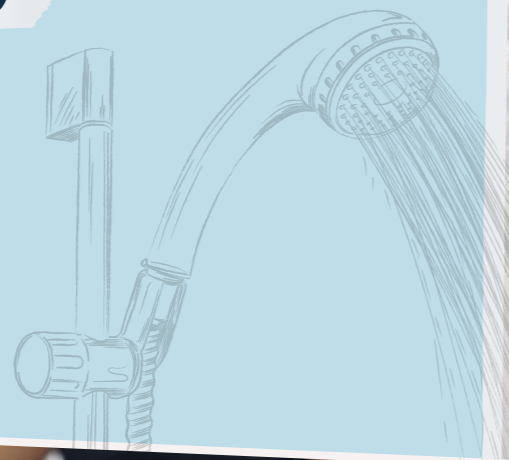
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01

Overview



Portsmouth Water at a glance

We employ
436
people



We supply a population of nearly
744,000
people



43 water sources and reservoir sites



We carry out more than
100,000
tests on water in the lab each year



Our pipe network length is
3,415
kilometres



187
million litres of water distributed each day

Highlights of the year

During 2025-26 we:



Were the only water company to be named 'leading' by our regulator, Ofwat, for our excellent all-round performance



Began the full roll-out of our smart water metering programme with more than 15,000 meters delivered so far - well ahead of our regulatory target of 3,200



Made good progress on the construction of Havant Thicket Reservoir, reaching a major milestone with the installation of a 20-tonne steel culvert cut-off wall



Celebrated 21 years of excellent health and safety performance, receiving the prestigious Order of Distinction from the Royal Society for the Prevention of Accidents (RoSPA)



Successfully mobilised new supply chain partners to start delivery of our largest investment programme - £377 million by 2030



Maintained the lowest bill of all water companies and supported nearly a third more customers with our Helping Hand social tariff



Launched a new Independent Challenge Group with 25 representatives from local groups, councils and organisations, to make sure our customers' voices are heard and to hold us to account for delivering our investment

Chair's Overview



This first year of our new five-year investment cycle for 2025-30 has been a time of great change for Portsmouth Water and for the water sector as a whole.

During the year, the Independent Water Commission published its review into the sector, signalling the start of significant regulatory reform. We expect this will lead to a more sustainable water industry, which better meets the needs of customers and the environment.

The Commission was established to develop a set of reforms to help rebuild trust in the sector and its regulation. In July 2025 it set out 88 recommendations for change. These include reforming regulatory institutions, streamlining and improving long-term planning and improving the role the Government plays in providing strategic direction.

Here at Portsmouth Water, we welcome the Commission's findings, in particular the clear steer that regulation must move away from a one-size-fits-all model, reliant on backward-looking, complex statistical modelling. We believe the proposed reforms will better serve a local, high-performing community-focused company such as ours.

This year we were named as a leading water company in England and Wales by Ofwat in its annual Water Company Performance Report – the only company to achieve this status.

“We are the smallest of the major water companies regulated by the current industry regulator Ofwat and our performance across a range of measures is the best in the sector.”

We welcome the proposals to move to regulation which is more proportionate, risk-based and reflects the operational realities companies face, through a move to a supervisory approach.

We also welcome the potential to deliver a more effective regulatory model which rewards companies, like us, who are performing well, supports companies to improve and better reflects the huge diversity between companies in the sector. This is largely endorsed in the recommendations of the White Paper 'A new vision for water', published in January 2026.

It is time for a reset and as a contribution to the debate, we published a paper on how a supervisory model could be implemented – *Introducing Effective Supervisory Regulation* – which is published on the Portsmouth Water website

We believe, if implemented in the right way, supervisory regulation could result in better outcomes for customers and the environment, improvements in efficiency and financial resilience and a fair return for shareholders. To secure these outcomes and avoid the risk of simply adding to the regulatory burden, it will be important to monitor and measure the success of the supervisory model.

As the steps to reform progress, we will continue to engage with the Government and regulators in taking forward the proposals, making sure they reflect our needs and the needs of our customers and the environment.

Our performance

We have maintained our excellent performance in many areas during the year, building on our reputation as 'leading' in the sector.

Our CEO Bob Taylor further outlines all we have achieved in his introductory statement. And with this in mind I'm delighted to note we have again beaten our targets for preventing supply interruptions, maintained water quality and remain among the leaders in our customer services for households, developers, retailers and businesses.

Overall we met or exceeded 10 of our 15 performance commitments set by Ofwat for our 2025-30 business plan.

We are delivering our largest investment programme between 2025-30, committing £377 million to safeguard water supplies, enhance the environment and maintain affordable bills. This first year of the cycle saw us progress £33 million of capital investment and importantly establish our delivery partners, suppliers, support systems and programmes of work.

“We are now very well positioned to further ramp up delivery in 2026-27, supporting our long-term strategic objectives.”

Havant Thicket Reservoir

Our delivery of Havant Thicket Reservoir, the first to be delivered by the sector in a generation, marked a significant milestone during the year as we moved into large-scale earthworks and construction activities.

We also secured planning permission for the dual reservoir pipelines and works to align the reservoir with Southern Water's Hampshire Water Transfer and Water Recycling Project (HWTWRP). If granted approval, this could increase output of the reservoir more than five-fold, through the addition of highly purified recycled water, further increasing resilience in the South East.

A critical focus of the reservoir project is the progression of a second Cost Adjustment Mechanism (CAM2) with Ofwat to update the agreed costs of delivering the scheme. This follows adjustments to mitigate unforeseeable ground conditions and alignment with Southern Water's proposed recycling scheme.

Following structured engagement with Ofwat, we submitted a CAM2 submission in May, with Ofwat's decisions planned for later in 2026. This makes sure our regulatory engagement keeps pace with progress on delivery and the project remains positioned to secure an appropriate adjustment to regulatory allowances.



Financial performance

Our overall financial performance for the year was in line with expectations and showed a significant improvement in profitability compared to the end of the previous five-year investment cycle (2020-25).

This largely reflected the increased levels of revenues allowed for in 2025-30, along with more stable inflation, which had impacted normal operating costs for the business, as well as the borrowing costs associated with our index linked debt.

Revenues have increased by 21% to £60.1 million, due to the inflationary and regulatory increases across both household and non-household customers. Operating costs have increased at a lower rate of 14% to £48.8 million. The cost increases are due to continuing high energy and commodity costs, higher employment-related costs from our increased workforce and higher asset depreciation and amortisation charges which are now applicable.

The key measure of EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) has increased to £20.7 million from £13.6 million, reflecting the impact of these changes. We anticipate profitability will continue to improve through to 2030.

Borrowing costs have continued to grow alongside the increased level of borrowings needed to fund our major capital programmes (£23.2 million from £18 million). However, the impact of this on our reported profitability is limited by the required capitalisation of a large part of these borrowing costs into the value of the capital programmes under construction, most notably the value of Havant Thicket Reservoir.

During the year, the company began to draw down on the new bank loan facilities, which were put in place in 2023 and run through to 2029. More than £150 million of available bank facilities remained at 31 March 2026. We expect to draw this down over the next year or so to fund the ongoing capital investment programmes.

Discussions have also commenced with Portsmouth Water's shareholder Ancala and financial institutions on the increased levels of funding required to complete these capital programmes over the next few years, including the expanded plans for Havant Thicket Reservoir. These discussions are progressing well and it is expected the required new equity and debt facilities will be agreed during the latter half of 2026.

“Alongside our excellent performance, during the year we maintained the lowest water bills in England and Wales, at £150 per household, and increased our support to customers in financial difficulties.”

Environmental, social and governance

This year we published our first standalone Sustainability report, marking the significant shift we have started to make to formalise our approach to sustainability and record our achievements and decision making.

Our reporting builds on our steps to more consistently embed sustainability principles across our business, having established an ESG committee in 2025 with oversight from the Board. The committee is supporting the development and implementation of our ESG strategy and framework, setting strategic goals, short and long-term science-based targets and key ESG metrics for the core business and Havant Thicket Reservoir project.

These reflect the long-term priorities of our business and set a clear path towards a more resilient, low carbon and sustainable future.

Our customers and communities

At the core of our performance, investment and governance are of course our customers and communities.

We have committed to support customers with £3.2 million of financial support by 2030 and by the end of 2025-26 we were ahead of our target with 19,859 customers on our Helping Hand social tariff.

We also published our first Vulnerability Strategy in the year and increased the number of customers on our Priority Services Register to 53,424, representing around 18% of our households who are receiving services tailored to their needs (from 15.5% in 2024-25).

Our people

As always, our leading performance and successful start to delivery of our largest investment programme is as a result of the hard work, talent and dedication of the company's people and I thank them all for their ongoing commitment.

Christopher Deacon
Independent Chair
June 2026



Foreword from Bob Taylor, CEO



“During 2025-26, we were the only water company to be named as ‘leading’ by Ofwat in respect of our 2024-25 performance. I am also pleased to report that we have maintained our excellent performance during this last year against the majority of our performance measures.”

I am pleased to share Portsmouth Water’s first combined Annual Performance Report and Accounts.

This year marked the start of the latest five-year regulatory period which runs to 2030 and will see delivery of the largest ever investment programme across the water sector, at more than £100 billion.

Our own five-year business plan is our largest investment to date, at £377 million. This was approved by our regulator Ofwat last year and represents an increase of more than £100 million on the previous five years. Customer expectations are rightly high and we are committed to meeting these through the timely and efficient delivery of our plan; this will help us to strengthen our excellent operational performance and prepare us for the challenges ahead.

To support our service and investment delivery we work closely with supply chain partners who share our commitment and values and, following an extensive procurement exercise, I am delighted to report we have successfully mobilised our new strategic delivery partners in the first year of the five-year regulatory period.

Cappagh, with whom we have had a successful partnership over the last 10 years, are leading our smart water meter installation, network maintenance and mains renewals programmes. Arqiva are providing smart meter data and communications systems. Bridges and IWS are delivering non-infrastructure projects to upgrade and improve our ‘above ground’ assets, and Tetra Tech is providing design and professional services support in our first framework contract of this type.

This early mobilisation of skilled partners has already enabled us to deliver our largest ever yearly capital investment programme, with £33 million delivered in 2025-26, excluding Havant Thicket Reservoir.

Developing the first major reservoir in the UK for more than 30 years is a critical investment to secure resilient and reliable supplies for our wider region and support reduced abstraction from rare chalk streams. We have invested £81 million during the year on delivery of the reservoir and made significant progress, moving into the main construction phase and completing the first full season of earthworks on the reservoir embankment.

We have also progressed with wider environmental commitments – creation of a woodland in a management partnership with the Hampshire and Isle of Wight Wildlife Trust and an 80-year farm re-wilding project.

“Havant Thicket Reservoir is the first in a series of new reservoirs across the UK and we believe we have a responsibility to share our experiences and to show how reservoirs can be delivered in an environmentally-positive way.”



In May 2026 we submitted detailed plans to Ofwat to expand the scope of the project. These changes will enable the reservoir to receive highly-purified recycled water, as well as surplus water from the Bedhampton and Havant springs. The addition of the highly-purified recycled water as a second source means the reservoir will become an always-available source of supply for the region, enhancing supply resilience as we experience more frequent droughts and dry weather periods.

We continue to work closely with reservoir stakeholders, including our Havant Thicket Reservoir Stakeholder Advisory Group, and in particular with Ofwat and Southern Water. We have commenced a second round of engagement with our investors and lenders to secure funding for the expanded scope of work.

During the year we commenced our ambitious plans to roll out smart water meters to all our customers by 2035. During 2025-26 we installed more than 15,000 smart water meters, significantly above our regulatory target of 3,200. In a region officially designated as water stressed, helping our customers reduce their water use is one of our key strategic challenges. We plan to engage with our regulators on how we can build on this early success and accelerate delivery from 172,000 smart water meters by 2030 to 250,000.

We are also ahead on our regulatory targets to renew water mains. We have committed to renewing 52 km of mains by 2030 and in 2025-26 we renewed 10.4 km, beating our regulatory target of 7.8km. Renewing mains is critical to network resilience, making sure we can minimise bursts, which can lead to interruptions to customers’ supplies and losses from the network.

In a vital step for securing future resilience, we also completed our first year of watercourse monitoring under the Water Industry National Environment Programme (WINEP). These are vital studies which will inform future changes to water abstraction in our region to make sure it remains environmentally sustainable, as well as recommending the steps we can take to improve habitats in our catchments. We have also invested in resilience projects at treatment works across our region to make sure we can safely take sources out of supply temporarily to carry out major refurbishment works; this essential work will allow us to maintain high standards of water quality and operational resilience.

We maintained our industry-leading position in minimising the time our customers experience interruptions to their water supply. We beat our Ofwat target, with an average interruption time of 4 minutes and 53 seconds, compared with our target of 5 minutes. We did, however, experience a significant interruption during the year at Selsey which added almost 3 minutes to our total. We know how disruptive the loss of water supply can be for our customers and we have undertaken a detailed investigation, which will help us learn lessons to maintain our leading performance in future years.

“Maintaining the quality of the drinking water we supply is paramount and maintaining our customers’ trust and confidence in our service is vital.”

The UK continues to deliver among the highest water quality standards in the world. Water quality performance is monitored by the Drinking Water Inspectorate (DWI) using their Compliance Risk Index. We have significantly improved our performance on this measure during 2025-26 (relative to the previous year), achieving a score of 0.45, well below Ofwat’s penalty threshold of 1.83.

Our ranking for C-MeX, Ofwat’s measure of overall customer satisfaction, slipped to fourth place in 2024-25 as we switched to our new billing platform. With the transition to the new system now complete, we have improved our ranking to second place this year, out of 17 water companies. This is testament to our dedicated employees, the majority of whom are also our customers, who have adapted quickly and effectively to new ways of working, using the improved functionality of the new system to deliver better service.



Leakage has been an area of key focus and challenge for us over the last few years, as we have worked hard to recover from an increase in leakage following prolonged hot weather in 2022-23. As part of our recovery programme we have updated and improved the way we measure leakage. Based on this revised methodology we have agreed a rebasing of our leakage targets with Ofwat.

While we did not meet the target set for 2025-26, the work we have undertaken to improve our understanding and reporting of leakage from our network means we are in a much better position going forward. Using the new tools we have developed, and our significant investment in leakage prevention, monitoring and detection, we expect to get back on target by 2030.



Alongside reducing leakage, helping our customers reduce their water use is a key strategic challenge. The amount of water our customers use each day on average is above the target set by Ofwat, meaning, as a business, we incur performance penalties. However, we have seen meaningful reductions in the year and the installation of smart water meters is showing reductions beyond those we had planned for. We are confident the acceleration of our smart metering programme will unlock further savings so that by 2030 we will be on target.

As we engage with our customers on our delivery and planning, we actively seek to hear their views, including through our Independent Challenge Group, which is helping us to continuously improve our services.

In terms of staff numbers, our business has grown rapidly over the last few years from 267 employees in 2023 to more than 400 this year and we expect that it will continue to grow over the next few years. This growth is essential for us to deliver our ambitious business plan and our promises to customers. The expansion has included establishing a new asset management and delivery function, to make sure the increased investment is delivered effectively and efficiently, new IT and digital capabilities, and an increased frontline, customer-facing workforce.

As well as growing our teams, we are also replacing the majority of our supporting systems over the next three years. Last year we completed the successful implementation of our new billing and CRM system, with the first UK water installation of the Kraken platform. We have now begun to update our Enterprise Resource Planning (ERP) system, transitioning to the latest version of IFS Cloud and we will soon be updating our GIS platform. Investment in these systems means we can better manage our assets, deliver more efficiently and be more responsive to our customers’ needs.

While we are modernising and growing rapidly, we are very much a values-based business, firmly rooted in our local communities, as we have been for the last 169 years. All our staff, old and new, are dedicated to delivering the best service to our customers in line with our purpose of ‘Excellence in Water, Always’. I would like to take this opportunity to thank all of our staff for their hard work and dedication in what has been a very successful year for Portsmouth Water.

Bob Taylor
Chief Executive Officer
June 2026



Financial transparency

This new section of our annual report gives a clear overview of who owns Portsmouth Water, how the business is financed and what payments are made to shareholders.

It is designed to make our finances easier to understand, in line with Section 35e of the Water Industry Act 1991 and Ofwat guidance. More detail is provided later in this report and we have included signposts to help readers find it.

Company name and regulators

Portsmouth Water Limited is the official name of the private company which has a licence issued by the Government to supply water. We refer to this company as Portsmouth Water. We supply high-quality, reliable drinking water to nearly 744,000 people in West Sussex and South Hampshire.

Our work is monitored by three regulators:

- Ofwat monitors our performance, charges and investment ([ofwat.gov.uk](https://www.ofwat.gov.uk))
- The Drinking Water Inspectorate monitors drinking water quality ([dwi.gov.uk](https://www.dwi.gov.uk))
- The Environment Agency regulates water resources ([gov.uk/environment-agency](https://www.gov.uk/environment-agency)).

Owners of Portsmouth Water

The chart on the next page shows who owns Portsmouth Water and how the company fits within the wider group. All the companies are registered for tax in the UK.

It also shows the main loans and debt facilities within the group. A debt facility is an agreed source of funding which a company can draw on, repay and use again, up to a set limit.

Portsmouth Water is protected from the rest of the group by the conditions of its licence. This helps make sure we can continue providing water services regardless of how the other companies in the group are performing.

The Board and Executive Team

Portsmouth Water's Board sets the company's strategic direction and provides governance and oversight. It consists of two full-time executive directors and four non-executive directors.

The Executive Team manages the business day to day. More information about the Board, its committees and the executive and non-executive directors is provided in the Governance section from page 82.

The wider group

Portsmouth Water Holdings Limited is the immediate parent company of Portsmouth Water. It oversees the management and operation of the business.

It was set up in 2002 to help protect bondholders (investors who lend money to the business) by controlling when dividends can be paid from Portsmouth Water to shareholders.

Ancala Partners Limited Liability Partnership (Ancala) is the organisation which ultimately controls Portsmouth Water's financial and operational policies.

Ancala is a UK-based infrastructure fund manager. It invests in essential infrastructure businesses on behalf of long-term investors, including pension funds and other institutions.

Several companies sit between Portsmouth Water and Ancala in the group structure. This reflects changes in ownership since the late 1980s, including when Portsmouth Water was owned by the South Downs Capital group.

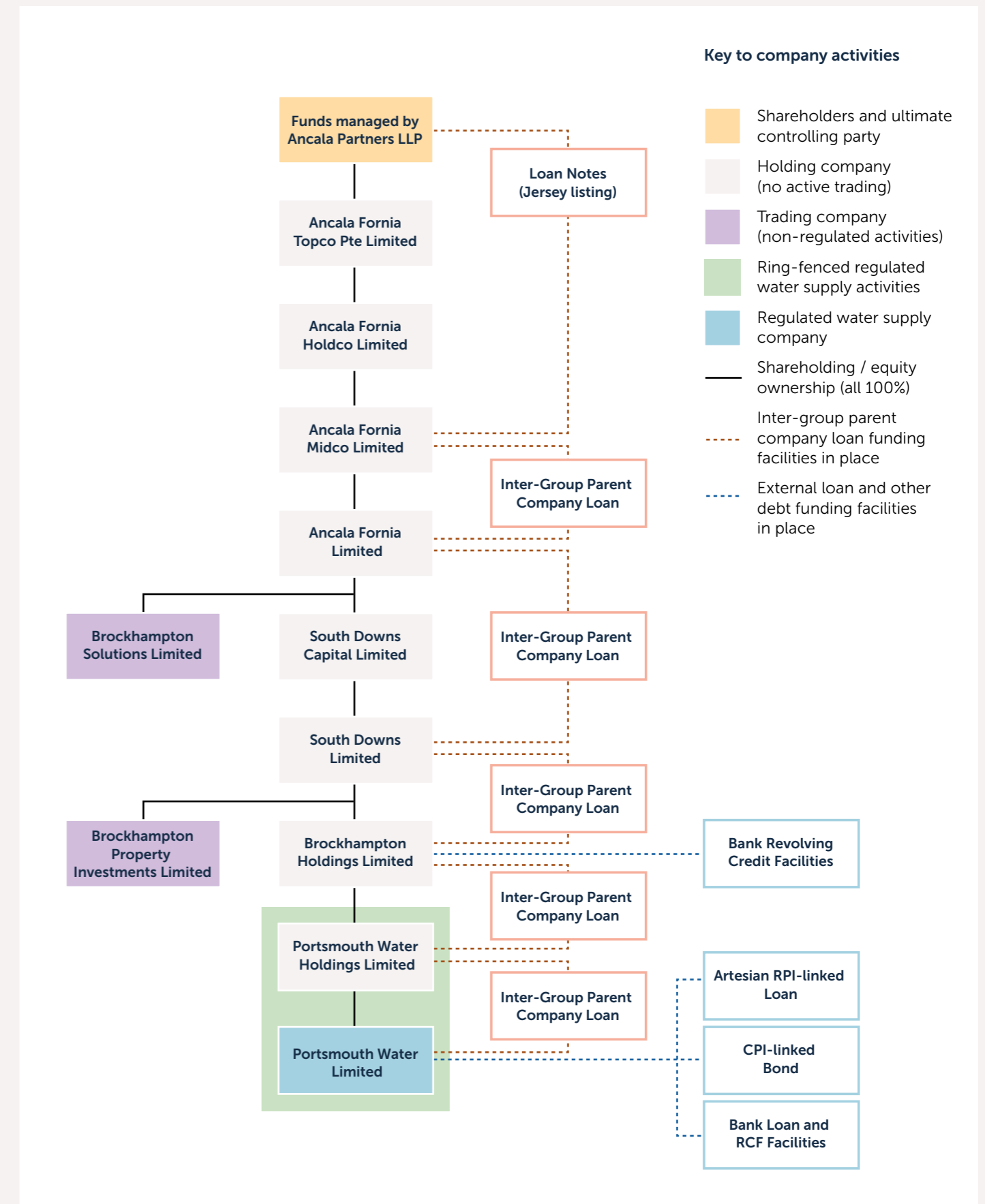
The South Downs Capital group was acquired by Ancala Fornia Limited in 2018. At that time, Ancala Fornia Midco Limited and Ancala Fornia Holdco Limited were also set up.

The ultimate parent company in this structure is Ancala Fornia Topco Pte Limited (AFTPL). It is incorporated in Singapore but treated as a UK tax resident. AFTPL is owned by the Ancala Essential Growth Infrastructure Fund LP, which is managed by Ancala on behalf of a range of investors, including pension funds.

Under our licence, AFTPL must give Portsmouth Water a legal undertaking that it will provide the information we need to meet our legal obligations and will not cause us to breach our statutory or licence requirements.

Consolidated group financial statements for 2025-26 are prepared by both AFTPL and Ancala Fornia Holdco Limited.

Portsmouth Water ownership and financing structure



Financial transparency

The company's finances

Portsmouth Water funds its day-to-day operations and long-term investment from several sources. These include:

- Customers' bills and other customer charges (these are regulated by Ofwat)
- Equity investment provided by shareholders (investment made for a share of the company)
- Borrowing and loans provided by banks and other financial institutions.

Ofwat decides how much we are allowed to spend on running the business and investing for the future, as well as how much we can charge customers. This is based on a five-year business plan agreed with Ofwat. Our current plan covers 2025 to 2030. Details of what we plan to deliver are set out on page 24 and can also be found on our website.

Using debt to fund investment in assets which will last for many years allows us to spread the cost over the life of the asset. Without borrowing, the costs of long-term investments would need to be met as they are built, meaning the costs would all fall on today's customers.

In addition to shareholder investment and profits retained in the business, the main sources of funding for the business are outlined below.

At 31 March 2026, Portsmouth Water had total outstanding loans and debt of £332 million. This was partly offset by £27 million of cash held in the company's bank accounts.

The full details are set out in the Financial Statements section from page 146.

Historic analysis of funding into Portsmouth Water

Year	Description	Details	Due to be repaid
2002	£66.5 million long-term, inflation-linked loan	Secured against the company's assets. Its value rises each year in line with the Retail Price Index and interest is charged at a fixed rate of 3.635%. Its current value is £154.6 million (2025: £147.4 million)	2032
2023	£295 million of debt facilities to support the development of Havant Thicket Reservoir, from:	The annual charge is calculated by adjusting the value of the loan each year by the Consumer Price Index and interest is charged on this at a fixed rate of 2.63%	March 2037
	1. A £75 million inflation-linked bond		
	2. A syndicated bank facility of £155 million (one loan from a group of lenders led by NatWest) split into:		March 2029
	• A £50 million loan facility		
2023	• A £105 million revolving credit facility (a flexible loan to borrow and re-pay up to the limit)		March 2028
	3. A revolving credit facility of £50 million (with current bankers Lloyds)		March 2029
	4. A £15 million overdraft facility (with Lloyds)		May 2027
2023	£45 million debt facilities	Held by Brockhampton Holdings Ltd	
2023	£140 million shareholder investment split into:	Held by Brockhampton Holdings Ltd	
	• £80 million of new share capital		
	• £60 million repayment on a long-term loan		
2024	£30 million loan from Ancala		

Going concern

Each year, we assess whether we can continue to fund the business and provide our services. This is known as a going concern and viability assessment. As part of this, we consider how much we need to spend, the investment we may need in future and whether we are meeting the requirements set by our lenders, banks and credit rating agency.

The results of this assessment are set out in the Viability statement section on pages 71 to 77.

Credit rating

Under our licence conditions, we must maintain a credit rating from Moody's. Moody's is a company which scores how safe it is to lend money to businesses and governments. They grade companies and countries from Aaa (excellent, very safe) down to C (very risky, likely to default). If Moody's lowers a country's or a company's score, it becomes much more expensive for them to borrow money. On 31 March 2026, our rating was Baa2, which is classed as investment grade and indicates moderate risk. The rating did not change during the year and is expected to remain stable. Further details are set out in the Financial Commentary section on pages 56 to 65.

Future plans

We expect to raise additional funding during 2026-27 to complete construction of Havant Thicket Reservoir and to support other investment in our network and treatment works through to 2030. This includes funding arrangements we expect to agree with Ofwat and Southern Water related to changes to the reservoir project.

We expect this to come from:

- More equity (investment for a share of the business) from Ancala
- New inflation-linked long-term loans from financial institutions
- Extensions and increases to the existing bank revolving credit facilities.

Further details are set out in the Financial Commentary section on pages 56 to 65.

Shareholder returns and dividends

Portsmouth Water may pay dividends each year, but only when agreed conditions are met (see pages 88 to 97 in the Governance section for more details).

For 2025-26, Portsmouth Water has proposed a dividend of £3.045 million, to be paid to Portsmouth Water Holdings Limited before 30 September 2026. This is based on a 2% yield on Portsmouth Water's regulated equity at 31 March 2026, together with other assessment measures. Regulated equity is the shareholder investment value recognised by Ofwat for regulatory purposes.

This dividend may then be passed further up the group and used to:

- Fund ongoing operating costs of the other group companies
- Repay interest due on loans from the group companies and Ancala
- Pay back some of the original loan balances.

In 2025-26, £4 million was ultimately paid to Ancala (of which £2.894 million was paid by Portsmouth Water Limited), of which £0.2 million was used to repay loan balances and £3.8 million was used to pay interest on loans.

As mentioned above, all dividends to date have been used to repay loan balances and interest, and no equity dividends are expected to be paid to Ancala until all loans provided by Ancala and the related interest have been paid in full.

Key financial measures for 2025-26

Our performance against key financial performance measures, including financial and regulatory gearing is set out in the Financial Commentary section on pages 56 to 65. Gearing shows how much of the company is funded by borrowing compared with shareholder investment.

02

Strategy and delivery



Our purpose, vision and values

Our 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 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. These shaped our business plan for 2025-30 and our 25-year Long-Term Delivery Strategy.

Our purpose and values

Our purpose is **Excellence in Water. Always.** 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

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 our customers will experience industry-leading customer service.

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 are at the heart of our ambitious business plan for 2025-30, our delivery of the first major reservoir in a generation, Havant Thicket Reservoir, and our commitment to the lowest water bills in the sector, as well as extended financial and practical support for our customers.



Our business plan for 2025-30

Every five years we submit a business plan to Ofwat setting out our proposed investment plan, performance targets and financing needs. This reporting year, 2025-26, was the first year of our latest business planning cycle, which runs to 2030.

Our business plan for 2025-30 included a step change in our level of investment with Ofwat's final determination allowing for £377 million, £11 million higher than our initial business plan submission and an increase of more than £100 million compared to 2020-25.

This increase in investment will enable us to:

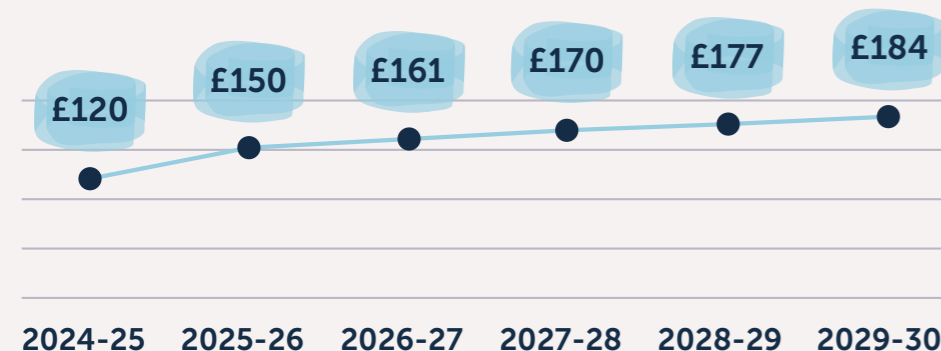
- Install smart water meters at 172,000 properties by 2030, connecting our communities to their water use, so together we can save more water (we have now set ourselves a higher target of 250,000 by 2030)
- Reduce leaks by 15% and halve leakage by 2040
- Upgrade treatment works and pipes to secure the highest water quality and most reliable supplies in England and Wales
- Investigate all our water sources to make sure the local environment thrives over the long term
- Remove lead pipes in at least 60 schools and nurseries and some households
- Maintain leading levels of customer service – in person and online
- Upgrade our technology for extra security and efficiency
- Reduce our carbon footprint
- Support wildlife on our sites and in our communities.

This is alongside our ongoing work to develop Havant Thicket Reservoir, the first major reservoir to be built in a generation.

Holding us to account for delivery

While we needed to increase customer bills to fund our investment to meet future challenges and maintain our performance, it is important that our customers can hold us to account on this.

Forecast average annual bill including inflation



To fund this investment, average household bills will increase from £120 in 2024-25 to an estimated £184 in 2029-30 (including forecast inflation). Despite these increases our water charges remain the lowest in the sector and we are expanding our support to those who have difficulties paying.



To make sure we deliver all the additional investment which has been funded, Ofwat sets Price Control Deliverables (PCDs).

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 late.

In July 2025 we published our first annual Delivery Plan, which shows if we are on track to deliver on time, on budget and to the right standard. These annual reports allow our customers and interested organisations to track our delivery and hold us to account. We also provide updates to Ofwat every six months.

Transforming for future delivery

During the year, we started to reap the benefits of the teams and systems we have put in place to effectively and efficiently deliver our investment for customers.

This included mobilising the supply chain required to build our expertise and capacity. We have adopted a new holistic approach to collaborate with our strategic partners, to make sure we deliver on our commitments with minimal impact on day-to-day services and our communities.



Our key partnerships are:

- **Cappagh** – leading the smart water meter installation and commissioning programme, as well as renewing water mains, connecting new developments and maintaining our network
- **Arqiva** – providing smart metering technology and the communications infrastructure and data management to support customers in monitoring and managing their water use
- **Bridges and IWS** – driving the non-infrastructure programme, upgrading mechanical, electrical, instrumentation and automation systems, as well as delivering projects such as nitrate removal and ultra violet treatment
- **Tetra Tech** – providing design and professional services and offering guidance and expertise to the smart water meter programme. Their wide-ranging environmental capability will also support our sustainability initiatives.

As well as enabling our delivery, these new partnerships embed social value, carbon reporting and carbon reduction,

climate change adaptation plans and the elimination of modern slavery within the new contracting arrangements. This includes the use of NEC X29 Climate Change clauses to align with industry best practice.

We also continued to grow our own workforce during the year, attracting more diverse talent from the water sector and beyond. Our focus is on recruiting candidates with transferrable skills, knowledge and experience to help deliver our business plans and wider strategy.

Our technology

Utilising technology effectively is key to successful delivery and we continued to upgrade our systems in 2025-26.

We prepared to upgrade our core Enterprise Resource Planning (ERP) system as part of focused investment in efficiency, security and resilience. This is due to go live in 2026.

The upgrade replaces ageing technology with a modern, secure platform to support essential activities such as finance, workforce planning and asset management. It will improve the quality and availability of information across the business, enabling better-informed decisions and more effectively planned maintenance of our assets, helping us deliver long-term value and reliability for customers.

By moving this core system to a secure cloud-based platform, we are also strengthening our resilience, reducing technology risk and creating a more flexible foundation for the future.



Company direction and performance

During 2025-26 we met or exceeded 10 of our 15 performance commitments set by Ofwat as part of the five-yearly business plan process. We must meet these operational performance targets every year.

We have 15 performance commitments for 2025-30, excluding Havant Thicket Reservoir. These cover every aspect of our business from customer service, to supply interruptions and biodiversity. From 2025, every water company has the same set of performance commitments (though the performance targets may differ).

Each of the performance commitments has an associated financial incentive, so if we perform worse, we pay a financial penalty and, as in most cases, if we beat the target we can earn a reward. These rewards and penalties are reflected through increases or reductions in the money we can charge our customers through their bills.



In 2025-26 we received rewards and incurred penalties, with overall a net penalty of £0.5 million. This is an improvement on the level of penalty we incurred in 2024-25 (£1 million).

We received rewards for five of our performance commitments:

- Water supply interruptions
- Unplanned outage
- C-MeX (customer measure of satisfaction)
- D-MeX (developer measure of satisfaction)
- BR-MeX (business customer and retailer measure of satisfaction).

We incurred penalties for a further five measures:

- Leakage
- Per capita consumption
- Business demand
- Water quality contacts
- Greenhouse gas emissions.

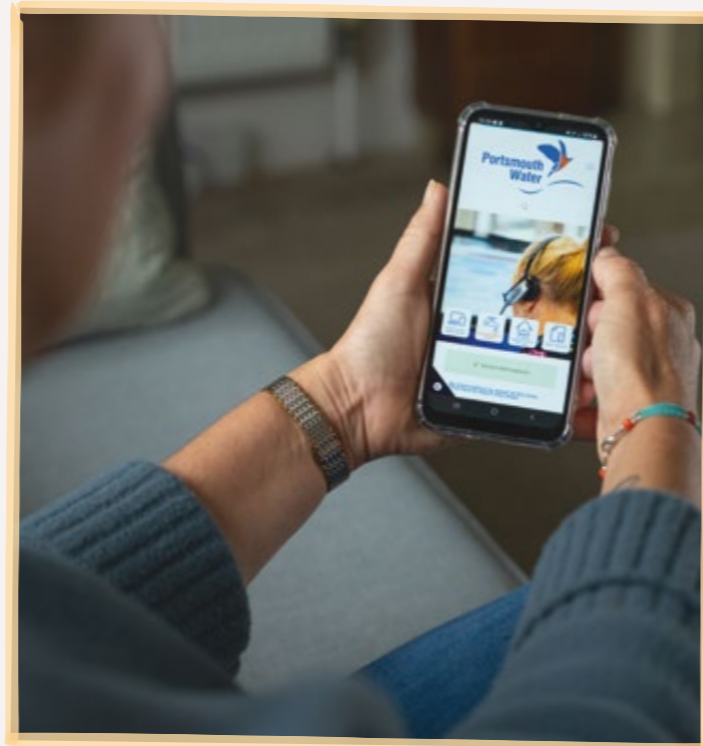
The water sector's main measure of customer satisfaction, C-MeX, is a comparative measure applied to all water companies. Based on the results of an independent survey of customers, we are ranked alongside our peers for overall customer satisfaction.

In 2025-26 we were ranked second out of 17 companies and we forecast we will earn a reward of £0.38 million (2024-25: £0.1 million).

This performance marks an improvement from 2024-25 when we were ranked in fourth place. This was still in the upper quartile of companies despite the challenge of migrating our customers to our new billing platform during that year.

As a community-based company we are proud of our long-standing tradition of leading customer service and we have ranked in the upper quartile for C-MeX since 2020.

Another key measure of customer satisfaction is the number of complaints we receive. Historically we have received very few complaints and the customer watchdog CCW ranked our complaint handling as 'Good' in their latest report (2024-25), their highest category.



During 2025-26 our complaint numbers reduced from the previous year and we received 27.7 complaints per 10,000 customers (2024-25: 29.7).

We have now completed the migration of our billing system to the Kraken platform, which is enabling us to deliver smarter, more responsive and more personalised services for customers – at scale and pace. During the year, this included the development and trial of a customer app, trialling an AI voice agent, personalised communication for the smart water meter programme and early digital notification and support for customer-side leaks.

We will be building on these capabilities to provide customers with more choice over how they pay for their water and targeted incentives to reduce their use.

We do recognise that while many of our customers value our enhanced digital services, for others a friendly, local voice is preferable. Alongside our digital services we will always make sure we continue to look after those customers who prefer other methods of contact.

We began the full rollout of our smart water meter programme in earnest during the year and customers who have received the new meters are overwhelmingly positive about the experience to date (see page 30).



Affordability and vulnerability

Our average annual bill increased from £120 in 2024-25 to £150 in 2025-26, reflecting the step change in investment in our business plan for 2025-30.

Despite this increase, our bill remains the lowest in England and Wales and compares with an average of £288 for all water companies.

However, we recognise for some customers any increase is challenging, and we have committed to support customers with a total support package of £3.2 million by 2030.

To protect the most vulnerable, we took the decision not to increase the cost of our Helping Hand social tariff during the year. During 2025-26 this was available for households with an income under £21,000 per year and we maintained a reduced bill of £91.

We know there are many customers who are eligible for our Helping Hand social tariff who have not applied for it, so in our business plan we set ourselves a target of increasing the number of customers we support from 15,051 to 27,500 by 2030.

By the end of 2025-26 we were ahead of our target of 16,000 with 19,859 customers on the Helping Hand social tariff. We are also doubling the financial support we provide through other schemes, such as our Hardship Fund, Debt Matching scheme, payment holidays and the WaterSure scheme for customers with a disability or a large family who are receiving benefits.

The switchover to smart water meters also gives customers more control over their bills and the chance to save money by using water wisely. However, for some it may result in an increase in charges compared with their unmeasured bill. To support these customers, we are:

- Providing a view of the household's potential use and bills ahead of the meter being installed
- Looking to use household income data to auto enrol households on to our Helping Hand social tariff if they are eligible, following a successful trial
- Offering a 'lowest bill promise' for all newly metered customers, so for the first 12 months after installation they will receive the lower of their new metered bill or the equivalent unmeasured charge. This gives them time to adjust and engage with our support and advice on how to save water and save money.

For customers who require more tailored services, we operate a Priority Services Register (PSR). During the year we increased the number of customers on our register from 48,280 to 53,424, representing 18.3% of our households. We adopted a more customer-specific approach, making sure we understand exactly the type of help each customer may require in particular circumstances, such as during supply interruptions.

We also made it easier for customers with additional needs to stay registered for the support. We introduced an automated re-consent process for customers on our PSR who we have not heard from in two years, using simple, accessible communications to help customers quickly confirm or update their details.

Company direction and performance

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 (DWI), which considers the nature of any failures in water quality and the scale of the risk to customers. The target is a score of zero, which equates to no failures. For 2025-26 penalties are incurred for a score above 1.83.

CRI is measured from January to December. For 2025 our CRI score was 0.45, maintaining our excellent performance from 2024. As a compliance measure, the CRI metric does not have any associated rewards, only penalties, so there is no financial impact.

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 2025 we received 0.56 (2024: 0.49) contacts per 1,000 population. This is the second year we have seen an increase, which appears to reflect wider concerns about the water sector nationally rather than specific issues local to us.

The quality of tap water in the UK is widely recognised as being among the best in the world, so it is concerning that some customers worry about their supplies. We and the wider sector need to understand how we can reassure customers about the quality of their tap water. The increase in contacts for 2025 takes us above our target of 0.41, resulting in a penalty of £0.1 million (2024-25: £0.05 million).

Interruptions to supply

We have a proud and long-standing record of being the best performing company in the sector on water supply interruptions.

Customers rate a reliable, constant supply of water as one of their highest priorities.

We measure supply interruptions as the total number of minutes lost per customer, not including interruptions which last for less than three hours. In 2025-26 we saw an increase in the number of minutes lost from 2 minutes and 1 second per customer to 4 minutes and 53 seconds.

While our performance remains below our target, of no more than 5 minutes, we are disappointed by the increase. This was principally related to a large incident in Selsey which affected 3,900 customers for just over four hours and contributed almost three minutes to the overall measure.

We have learned important lessons from this incident, which will help us respond effectively to future ones. We are also replacing 51km of high-risk water mains between 2025 and 2030 to make our network more resilient and reduce the likelihood of incidents.

Despite the increase our performance for 2025-26 was slightly better than our target, resulting in a small financial reward of £0.01 million (2024-25: £0.2 million).

Ensuring our treatment sites are operational at all times is also critical to maintaining reliable supplies for customers. In 2025-26 we beat our target of 6.6% of peak production capacity, earning a reward of £0.5 million.

Leakage

Helping our customers save water is one of our key priorities for 2025-30 and we recognise it is important that we also do our bit to avoid wasting water. We have a target to reduce leakage from our network by 15% by 2030 and by 50% by 2040 (from 2018 levels).

We have not met Ofwat's target for leakage reduction in 2025-26 but we have continued to make good progress with our recovery plan, while acknowledging there is more to do.

A key part of this was to improve the methodology we use to estimate leakage. During the past two years we have improved our leakage reporting methodology to align with and get ahead of industry best practice. This is supporting us with better, more timely operational monitoring.

In March 2026 Ofwat accepted our proposal to switch to reporting based on this new methodology and agreed to rebase our targets to reflect the better measurement basis. This rebasing does not change the level of leakage reductions we have to make, it only resets the starting measurement point.

Our leakage target is measured as a three-year average, to even out fluctuations in the weather which affect our pipes. Based on our new methodology, leakage in 2025-26 was 34 MI/d against a target of 30.8 MI/d. This results in a penalty of £1.4 million (2024-25: £0.9 million).

Weather conditions in 2025-26 were particularly challenging, the dry summer caused ground movement, stress on pipes and increased pressure from higher demand, which in turn increased leaks, bursts and repairs across our network.

As a result of this and our investment in greater leak detection we found and repaired significantly more leaks during 2025-26 than in a typical year. We repaired more than 4,600 leaks, compared to a recent average of around 4,000 per year.

We also brought forward investment planned for future years. This included 10 pressure management schemes which help to reduce leakage by calming our network, reducing the risk of bursts.

To help us better locate leaks we have invested in more monitoring through sub-divisions of our network into smaller district meter areas and we are utilising new AI-enabled acoustic monitors which 'listen' to our network to identify leaks. We continue to explore the use of innovative methods such as satellite detection and lower-tech solutions including leakage sniffer dogs, who are trained to identify the smell of chlorine in treated water to pinpoint leaks in remote areas.

We expect recovery of our leakage position to take some time, but we forecast we will be back at our target levels by 2030.

See page 31 for how smart water meters are helping to identify and reduce leakage.



Company direction and performance

Per capita consumption

To make sure the amount of water we take from the environment remains sustainable in the face of climate change and population growth, we must all reduce the amount of water we use.

Customers in our region use significantly more than those in neighbouring areas, partly because our bills are low and also because fewer of our customers currently have water meters. 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. The change in our methodology for measuring leakage, as described previously, has a knock-on effect on our estimation of consumption, so these targets have also been rebased by Ofwat. Our targets are lower under the revised methodology, but the same percentage reductions are required.



While consumption reduced in the year, we did not meet our three-year average target for 2025-26, reporting 154.1 litres per head per day (l/h/d), compared to our target of 148.5 l/h/d. This results in a financial penalty of £0.3 million.

Our demand reduction programme aims to reduce consumption per person to 142.4 litres by 2030, with a longer-term national target to reduce consumption to 110 litres per head by 2050.

Smart water meters

Critical to this mission to help our customers reduce their use is our smart water metering programme, which began in earnest this year. Smart water metering encourages water efficiency, helps to identify leaks faster and is fairer for customers as they pay for what they use.

In the first year of our programme we installed 15,095 smart water meters, well ahead of our regulatory target of 3,200.

We plan to install 250,000 meters by 2030, with most of our household and non-household customers metered by 2035.

We are already seeing reductions in water use in excess of our forecast, with smart water meter customers reducing their use by 24% and some achieving a 31% reduction.

As households become more aware of their water use through hourly readings, we will engage with them to support further savings, including through a new digital portal and app and in-person and virtual demand reduction initiatives.

We have established a dedicated Demand Reduction team to offer tailored support and advice, driven by the data and analytics. During the year we strengthened our field services team to deliver both in person and virtual water efficiency audits for households recording higher than average consumption.

We also completed a successful pilot installing flow regulators, with measurable savings and minimal negative feedback. These regulate water flow, minimising the loss in pressure, and save customers money on their water and wastewater bills. Findings from this pilot will inform our consideration of a wider rollout in 2026-27.

To date, our smart water meter customers have an average **per capita consumption (PCC) of:**

130 litres per person per day,

compared to our average PCC of:

154 litres per person per day.



Smart water meters and leakage

Smart water meters also help us identify leaks at properties and in 2025-26 about a third of customers who had a smart water meter installed had a leak identified.

In total, we identified 4,701 leaks during the year, amounting to savings of more than 22 million litres of water. More than three-quarters of our customers took steps to fix the leaks after they were identified.

To encourage customers to fix leaks, we are providing a free one-hour leak detection service and guidance on engaging the services needed to make the repair.



Case Study: Supporting leak repairs

A leak of 25,000 litres per day was identified under a customer's property after a smart water meter was installed – enough to supply around 160 people each day.

We attempted to engage with the customer several times and identified them as being in vulnerable circumstances. We interacted directly with the landlord, a social housing provider, and were able to fast track the repair – saving significant amounts of water and protecting the customer from excessive bills.

See page 27 for information on financial support for customers who have a smart water meter.

Developers, business customers and retailers

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 the 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 2024-25 we ranked in first place in Ofwat's assessment, which represented a significant improvement from 2023-24 when we were in ninth place. In 2025-26 we maintained excellent performance and have been ranked second out of 17 companies for our performance. This will earn us a reward of £0.16 million for the year (2024-25: £0.2 million).

For 2025-26 Ofwat has introduced a new satisfaction measure, BR-MeX, which captures how well we work with retailers who supply business customers and how satisfied business customers are. In the first year of this new measure we are pleased to have been ranked first out of 17 companies for overall satisfaction. This performance will earn us a reward of £0.2 million for the year (2024-25: n/a).

We also have a new target from 2025-26 to reduce business demand. We have been working with water retailers on how we deliver water efficiency advice and incentives to business customers, in addition to providing all business customers with smart water meters. We narrowly missed our 2025-26 target of 30.6 MI/d. resulting in a penalty of £0.1 million.



Our delivery in 2025-26

The table below shows our performance across all 15 of the performance commitments set by Ofwat as part of the five-yearly business plan process.

These cover every aspect of our business from customer service, to supply interruptions and biodiversity. Every water company has the same set of performance commitments but the targets below for 2025-30 are specific to Portsmouth Water.

Performance commitment	Targets 2025-30					Performance 2025-30		
	2025-26 target	2026-27 target	2027-28 target	2028-29 target	2029-30 target	2025-26 performance	2025-26 target met?	Find out more
Customer measure of experience (C-MeX) Based on four surveys undertaken by an independent third party on behalf of Ofwat to establish the quality of the service we provide to our customers in general. (Ranked out of 17 water companies)	Upper quartile	Upper quartile	Upper quartile	Upper quartile	Upper quartile	2 nd	✓	p26
Developer measure of experience (D-MeX) Based on monthly customer surveys undertaken by an independent third party on behalf of Ofwat to establish the quality of the service we provide to developers. This measure also includes Water UK's metrics of the levels of service we provided to developers. (Ranked out of 17 water companies)	Upper quartile	Upper quartile	Upper quartile	Upper quartile	Upper quartile	2 nd	✓	p31
Business customer and retailer measure of experience (BR-MeX) Based on monthly surveys undertaken by an independent third party on behalf of Ofwat to establish the quality of the service we provide to our business retail customers. This measure also includes an assessment of our performance against the Market Performance Framework. (Ranked out of 17 water companies)	Upper quartile	Upper quartile	Upper quartile	Upper quartile	Upper quartile	1 st	✓	p31
Water supply interruptions Average time of supply interruptions greater than three hours per property (includes both planned and unplanned interruptions)	Less than 5 mins per property	Less than 5 mins per property	Less than 5 mins per property	Less than 5 mins per property	Less than 5 mins per property	4 mins 53 seconds per property	✓	p28
Repairs to burst mains The number of repairs required on our network as a result of bursts and leaks, in accordance with Ofwat guidance. Defined as the number of mains repairs per 1,000km of network.	<77.3	<76	<74.7	<73.4	<73.2	70.6	✓	p29

Performance commitment	Targets 2025-30					Performance 2025-30		
	2025-26 target	2026-27 target	2027-28 target	2028-29 target	2029-30 target	2025-26 performance	2025-26 target met?	Find out more
Unplanned outage The temporary loss of peak week production capacity in the reporting year weighted by the duration of the loss (in days), expressed as a percentage.	<6.8%	<5.6%	<4.5%	<3.3%	<2.1%	4.42%	✓	p29
Water quality standards – Compliance Risk Index (calendar year) The CRI score is calculated for every individual compliance failure at water supply zones, supply points/treatment works and service reservoirs. The annual CRI for a company, for any given calendar year, is the sum of the individual CRI scores for every compliance failure weighted by the potential number of properties affected.	<1.83	<1.67	<1.5	<1.25	<1	0.45	✓	p28
Customer contacts about water quality (calendar year) A measure of customer contact for taste, odour, discolouration and illness calculated as the number of contacts per 1,000 population per annum.	<0.44	<0.44	<0.44	<0.44	<0.44	0.56	✗	p28
Per capita consumption (3-year average) The weighted average water consumption per household customer served calculated from the number of measured and unmeasured households. Litres per head per day (l/h/d)	<148.5	<147.3	<147.0	<145.4	<142.4	154.1	✗	p30
Business demand Measures the amount of water used by our business customers and encourages the efficient use of water. Millions of litres per day (ML/d)	<30.6	<29.1	<28.4	<27.6	<27.2	31.9	✗	p31
Leakage (3-year average) The total level of leakage, including customer supply pipe leakage, as measured on an annual average million litre per day (ML/d) basis.	<30.8	<28.4	<27.5	<27.2	<26.3	34.0	✗	p29
Biodiversity Measures how we conserve and enhance biodiversity through our activities and the management of our land. Biodiversity Net Gain (BNG) units for land served (per 100km ²)	0	0	0	>0.05	>0.73	0	✓	p54
Operational greenhouse gas emissions Measures the greenhouse gas emissions produced through our day-to-day operations. Measured in tCO ₂ e (tonnes of carbon dioxide equivalent)	<7004.31	<6956.78	<6823.69	<6580.17	<6286.92	7,383.39	✗	p52
Serious pollution incidents (calendar year) Measures the number of serious pollution incidents (Category 1 and Category 2) caused by our operations.	0	0	0	0	0	0	✓	p54
Discharge permit compliance Measures our compliance with environmental discharge permits at our discharge points.	100%	100%	100%	100%	100%	100%	✓	p54

Our investment in 2025-26

During the first year of our investment, we successfully transitioned from planning and mobilisation to active delivery. We met our Ofwat target and delivered £33 million worth of investment, alongside more than £81 million investment in Havant Thicket Reservoir.

We spent the first five months transforming our plans and promised outcomes into deliverable projects. We moved from a low plan maturity on the original plan baseline into greater certainty for 2026-27. We also focused on establishing a full internal capital delivery team with the requisite skills.

Our key progress included:

- Establishing a fully functioning internal capital delivery team, with the majority of new roles filled and remaining vacancies in active recruitment
- Onboarding and mobilising our strategic delivery partners
- Developing our plan for delivery, which enabled a step change in our delivery rate from £1.9 million per month to £3.5 million (42%) per month in the second half of the year
- Completing capital programme assurance deep dives to strengthen financial and milestone confidence.

During the year we made good progress with initiating our investment and progressing projects. This included:

- Renewed 10.4km of water mains (ahead of our regulatory target of 7.8km)
- Reinforced 0.2km of our network
- Installed 15,095 smart water meters (ahead of our 3,200 regulatory target)
- Replaced 108 lead communication pipes (against a regulatory target of 11)
- Recruited a project manager to engage with schools and nurseries to progress lead replacement programmes and external supply pipe replacements (engagement is progressing to catch up on the target of 12 schools or nurseries and 12 external supply pipes)
- Invested £1.6 million on cyber upgrades, on track to meet two Drinking Water Inspectorate deadlines (against a target investment of £4 million)
- Established a security team to deliver Security and Emergency Measure Direction requirements (SEMD) and invested £10,000 to develop physical security standards
- Invested £0.2 million to progress 13 reservoir bypass schemes with feasibility studies and installations at two reservoirs

- Invested £10,000 in water quality improvements and built the foundations to increase this activity in 2026-27
- Invested more than £666,500 in the first year of a £4 million comprehensive environmental study encompassing nine catchments in our area.



We faced a number of challenges during this first year, including external pressures such as prolonged, dry weather and increased operational demand related to this. The implementation and use of new forecasting tools required time for coaching and assurance but puts us in a good position for future delivery.

We are now well positioned to move decisively into full implementation, supporting both operational resilience and long-term strategic objectives.

During the year we demonstrated our ability to increase our run rate in six months and this puts us in a good position to deliver our £53 million target in 2026-27.



Open data

We are committed to working in partnership with customers, regulators and wider stakeholders to deliver on our vision. We hold significant amounts of data and while some of this is reported and published annually, including in this report, much is not freely available.

We are committed to working collaboratively with third parties to unlock the power of this through open data, to help meet our objectives. We are also committed to managing our data securely and, as a critical infrastructure provider, we are also aware of the importance of cyber security.

In 2025 we joined the industry-led open data initiative, Stream, an important step in accessing the benefits of open data. This programme was initially funded by Ofwat's Innovation Fund, along with contributions from participating companies, including ourselves. It supports the sector to work collaboratively to maximise the benefits of open data for customers and the environment. For a smaller water company like ours this collaboration makes sure we can maximise the value of our data by making it available in a common format alongside that of the wider sector.

In 2023-24 we reviewed our approach to publishing our annual reporting tables so they could be accessed and re-used by everyone. As an active member of Stream, we now publish our data in a database style format, (.csv), which has a machine-readable characteristic. This provides a standardised model in a flexible format, allowing easier cross-industry comparisons across companies or specific items. When we publish the annual report tables on our website, we also upload them to the Stream portal, which allows stakeholders to access all companies' data in one place.

In the coming year, in addition to making our Annual Performance Report and Accounts tables and Environmental Information Request (EIR) data available, we will continue to work with Stream to share additional data sets. Our priority in 2026 is around water efficiency, through a discovery and refinement phase. Further details of the roadmap and emerging use cases are available on the Stream website at streamwaterdata.co.uk.



We are using the Open Data Institute's Open Data Maturity model to assess how well we publish and consume open data. This will help shape our data sharing practices and identify where we can make improvements. Alongside this, we are proposing to establish a baseline data practices maturity level, as well as one for data ethics maturity. These baselines will make sure we can measure our improvements and continue to deliver best practice.

By adopting these models, we can understand our limitations, successes and how to improve. This includes continued and closer collaboration with Stream, its members and partners to encourage the adoption and use of open data to further benefit customers and the industry.



Delivery of Havant Thicket Reservoir

Havant Thicket Reservoir is an environmentally-led water resources project, forming a critical component of regional water resilience for the wider South East. We invested more than £81 million during the year to progress its development.

We are delivering this new reservoir, the first major new UK reservoir in a generation, in partnership with Southern Water. It will enable water to be supplied to Southern Water customers, support reductions in abstraction from globally-rare chalk streams in Hampshire and improve our long-term supply resilience.

As well as being supplied with water from the reservoir, our customers will have the benefit of a new community leisure facility on their doorstep. There will also be a host of environmental benefits locally.

During the year we have made substantial progress, including moving into large-scale earthworks and construction activities on site.

This has included progressing construction of the culvert, valve tower and overcoming design issues to install a bentonite trench and a 20-tonne steel cut-off wall, which will sit beneath the main embankment. We also:

- Secured planning permission for the dual reservoir pipelines and works to align the reservoir with Southern Water's Hampshire Water Transfer and Water Recycling project (HWTWRP), with our subsequent focus on discharge of conditions and Section 106 agreements. (The HWTWRP is subject to separate planning approval.)

- Continued advancing the design, assurance and construction readiness across the reservoir, pipelines and associated infrastructure
- Strengthened governance, assurance and safety leadership for the increased construction activity
- Continued delivery of environmental mitigation, biodiversity net gain and watercourse improvement works
- Worked closely with Ofwat, wider regulators and Southern Water to maintain alignment and value for money.

Construction

The year marked a step change in construction delivery for the reservoir as we transitioned into the 'big build' phase.

This included sustained earthworks and major progress on the permanent reservoir structures, such as the culvert and valve tower.

Unforeseeable ground conditions, including shear planes and variability in the Harwich Formation and Bognor Sand member have meant we have needed to make significant changes to the design and scope of the project to create secure foundations beneath the main reservoir embankment.

The earthworks season started in March 2025, enabling the start of the Ground Improvement Zone works beneath the main embankment. This consisted of largescale bulk earthworks across the reservoir footprint, including excavation, placement and conditioning of foundation materials.



Culvert construction

A major construction milestone was progression of a 230-metre reinforced concrete culvert beneath the embankment, which will ultimately house the main pipeline for taking water out of the reservoir, when needed. This is one of the most technically complex elements of the build.

We also progressed a 12-metre deep, underground cut-off wall, which will prevent water from escaping under the embankment. A critical element of this concrete cut-off is the section which lies under the concrete culvert. This required a 20-tonne steel wall to be placed underground to offer reinforcement. The steel wall was constructed on site and lifted into position in a single piece using a 100-tonne crane. It was carefully lowered into a deep trench filled with a special water-tight mixture, with precision to within just 25 millimetres.

Because the mixture hardens quickly, teams worked around the clock in rotating shifts to complete the installation safely within 72 hours. The embankment will be built over the top.

Other related activities included:

- Installation of deep temporary drainage systems (dewatering) around the culvert working platform to manage groundwater and maintain constructability throughout the wetter seasons
- Continued work on the valve tower, including structural concrete pours and steel fixing activities
- Interface management between the culvert, valve tower and future mechanical and electrical installations.

This construction activity was delivered alongside enhanced safety leadership, environmental controls and strengthened assurance arrangements appropriate to this increasing scale of works.

Our appointed Construction Engineer provided independent oversight of the reservoir works, making sure we are fully compliant with the Reservoirs Act and best practice standards.

Health and safety

Given the shift to large-scale construction, health and safety on site became even more critical during the year.

The project achieved a very strong health and safety performance, despite the scale of construction:

- One Health and Safety Executive reportable incident reported by a contract partner (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations - RIDDOR)
- Accident and injury rates well below industry benchmarks, reflecting the effectiveness of preventative controls and workforce engagement
- A rolling 12-month lost time injury frequency rate of 0 (compared with an industry average of 2,000 injuries resulting in up to seven 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).

The project did regrettably experience its first reportable incident (RIDDOR) in November, which was managed through a formal Major Incident Review Board.

Our construction delivery partners, Future Water and Ward & Burke exceeded 900,000 working hours during the year with a site workforce peaking at 358 people. We anticipate in 2026-27 this figure will exceed 500 when construction of the pipelines also starts.

Adapting and developing the design

During the year, the project also advanced its design maturity and gained further planning approvals and statutory consents, to enable the construction across the reservoir, pipelines and associated infrastructure to progress.

Our focus was on completing the construction-ready designs, discharging planning conditions and securing key environmental and regulatory consents.

Detailed and outline design consents included for the:

- Gound Improvement Zone, cut-off wall and culvert and main upper reservoir embankment (pending review)
- Reservoir wetlands and environmental mitigation features
- Reservoir visitor centre and the north west corner of the reservoir site
- Main pipelines works, including the twin tunnel solution
- Farlington Treatment Works to Nelson service reservoir pipeline and pumping station infrastructure.

Pipelines

Planning approval for the dual pipelines which will transport water to and from the reservoir was secured in October 2025. This application was revised to provide capacity to support Southern Water's scheme to introduce recycled water to the reservoir, should this scheme gain planning permission. The updated design also provides additional resilience for the already approved reservoir scheme.

Since permission was granted, detailed preparations have been ongoing for construction of the pipelines, including significant liaison with interested organisations, as well as residents, businesses and schools along the pipelines route. We anticipate construction will start in 2026 and take until 2029.

Alignment with recycling scheme

We have continued to support Southern Water's proposals to progress its Hampshire and Water Transfer and Water Recycling Project (HWTWRP) to increase the overall resilience of supplies in Hampshire.

If approved, the project would require changes to the operation of the reservoir by introducing highly purified recycled water as an additional source and a direct pipe to transfer raw water from the reservoir to one of Southern Water's treatment works in Hampshire.

The scheme could increase the output of the reservoir from up to 21 million litres of water per day to up to 111 million litres and support further reductions in abstraction from the Rivers Test and Itchen.

Our Board supported Southern Water's Gate 3 submission to the regulatory body RAPID, which is overseeing the development of large water infrastructure projects in the UK.

We signed an agreement with Southern Water in 2023 to undertake all the development, design and planning activities required to future proof the reservoir and its associated assets to accommodate this second source of water with minimum delay to the project. This included enlarging and dualling the pipeline, as described above.

This year was a pivotal one in integrating the recycling scheme into the original reservoir project, including:

- Securing planning permission for the pipelines
- Progressing technical integration and water quality modelling
- Embedding the alignment works into the reservoir design, construction programme and commercial and regulatory frameworks
- Continuing to work with Southern Water on modelling the water quality impacts of introducing highly-purified recycled water into the reservoir.

We also continued to progress a revised Bulk Supply Agreement (BSA2) to update the commercial, operational and regulatory principles between ourselves and Southern Water.

Finances and cost adjustments

A critical focus for the year was progressing a second Cost Adjustment Mechanism (CAM2) for the reservoir project.

This is an application to Ofwat to update the agreed costs of delivering the scheme and it is required to address the cumulative impact of:

- The unforeseeable ground conditions, including shear planes and sand formations, which require more extensive earthworks and foundations
- The implementation of the alignment works to cater for Southern Water's proposed recycling scheme.

We have continued our structured engagement with Ofwat and Southern Water to agree the scope, evidence base and assessment approach for CAM2, building on our earlier agreement that the identified ground conditions were reasonably unforeseeable at the time of CAM1.

We submitted a draft CAM2 submission in April 2026, which has been subject to independent assurance and deep dive reviews with Southern Water and Ofwat, ahead of final submission in May 2026.

This work makes sure our regulatory engagement keeps pace with progress on delivery and the project remains positioned to secure an appropriate adjustment to regulatory allowances. See page 159 for further financial commentary on the reservoir.

Regulatory delivery targets

We have two regulatory Performance Commitments relating to Havant Thicket Reservoir:

- Dry commissioning by September 2026
- Wet commissioning by June 2029.

Due to the challenges described previously, we held open discussions with Ofwat to recognise that these dates are no longer achievable due to the change of scope in the project.

We intend to revise them through the CAM2 process, maintaining a clear line of sight between a realistic delivery programme and our regulatory commitments.

In February 2026, Ofwat commissioned an independent technical review to gain an independent and strategic assessment of whether the Havant Thicket Reservoir project, as currently scoped and costed, represents value for customers and to identify the key levers for cost efficiency and/or risk reduction at a programme-wide level. The review concluded the project is well placed to deliver the current design efficiently, provided some positive recommendations and noted that many of these recommendations were already identified and were being collaboratively progressed with our main works contractors and Southern Water.

Our achievements during the year have made sure the project is aligned with regulatory expectations and well-positioned for the next phase of regulatory decisions.

We are working with several financial institutions to secure finance in relation to CAM2.

Protecting and enhancing the environment

Environmental mitigation and compensation remained a core commitment during the year, making sure the long-term environmental impacts of construction are fully mitigated and the project delivers an overall net gain for biodiversity.

The scope of our environmental compensation is defined within the Biodiversity Mitigation and Compensation Strategy (BMCS), approved as part of the 2021 planning permission, and we continued to implement this during the year.

Key areas included:

- Woodland creation and the development of a long-term woodland management plan
- Watercourse enhancement works
- Habitat creation, restoration and rewilding initiatives
- Long-term ecological monitoring and management planning.



The environment and construction

As the project moved into large-scale construction, environmental controls were embedded in the planning and delivery, with regular monitoring and inspections across the site.

We successfully undertook species translocation activities to make sure protected and notable species were safeguarded ahead of and during the construction.

Alongside the main construction activity, we also progressed the earthworks to form the wetland area, along the northern edge of the reservoir site.

A robust surface water management plan was in place throughout the year, to make sure the surface water was contained on site and treated before being discharged to the local Riders Stream to ensure full compliance with our permit from the Environment Agency.

We monitored our environmental performance by undertaking regular environmental site inspections and environmental audits, to ensure contractor compliance with licences, permits and management plans. Our environmental performance was also reviewed through structured reporting and collaborative governance forums.

We maintained ongoing engagement with the Environment Agency and other statutory bodies, to support transparency and regulatory confidence.

Our environmental projects

As part of our planning commitments, we are continuing to progress the environmental projects alongside the reservoir. At South Holt Farm, north east of the reservoir site, we will be creating 80 hectares of new wood pasture and grassland through rewilding on previously agricultural land. It is being delivered in partnership with a charity, the Pig Shed Trust. Cows on the farm will help by grazing, creating bare soil for seeds, spreading nutrients and supporting plant and invertebrate diversity. Fourteen calves were born in 2025 at the farm and the herd will be supported to grow to about 80 cows. The cows will remain with the project for life and never enter the food chain.

Southleigh Forest

Up to 72 hectares of habitat restoration and creation is to be undertaken in Southleigh Forest, a mixed species plantation which will be brought into positive ecological management.

A detailed 10-year conservation management plan has been prepared, including the gradual felling of plantation woodland and restoration to a more semi-natural woodland. We have an agreement with the Hampshire and Isle of Wight Wildlife Trust to assist with the management and ecological monitoring of the forest.





Partnering with our communities

Engaging our customers, communities and the wider industry in the development of the reservoir is a vital opportunity for us to share our learning and involve people in shaping its future.

We have focused on openly sharing information about our plans and building relationships with our regulators, partners, local authorities, community groups and customers.

Our activity has included:

- Regular updates to local residents and community groups through a dedicated newsletter and website
- Open days, drop-in events and site visits, providing opportunities to view the construction work and raise questions with the project team
- Using feedback to inform construction planning and minimise disruption where possible
- Engaging with schools – the project now features as a case study in GCSE Geography, supporting awareness of water resources and infrastructure delivery
- Sharing knowledge with the water sector through presentations, workshops and conference participation, promoting best practice and lessons learned

- Hosting Government representatives on the site to demonstrate the progress of infrastructure development in the sector, including a visit from the Water Minister Emma Hardy MP
- Engagement with the media to raise awareness of the project’s purpose, progress and role in improving regional water resilience.

Leading the way

In March 2026, the Institution of Civil Engineers (ICE) highlighted our Havant Thicket Reservoir project as an example of the water sector leading the way on the long-term collaboration required to meet the UK government’s hugely ambitious 10-year infrastructure strategy.

Strategic advisory and stakeholder groups

During the year, we continued to engage effectively with our long-standing Havant Thicket Reservoir Stakeholder Advisory Group and associated sub groups.

This included:

- Quarterly Stakeholder Advisory Group meetings, bringing together statutory bodies, local councillors, interest groups and partners to provide updates, discuss issues and gather feedback
- Subgroup meetings to enable more detailed engagement on specific topics, including the environment, access and recreation, pipelines, local economy and education.

These forums supported transparent dialogue and helped the project team identify and respond to suggestions, concerns and requests for more information at an early stage.

Engagement covered areas such as the development of the reservoir wetland, the design of the visitor centre, access routes, environmental mitigation projects and the timelines for construction and wider project.

Learning from feedback

In 2025, we commissioned insight work to understand the views of our local communities on the reservoir. This included telephone interviews with 100 nearby customers, plus surveys of young people, representatives of local interest groups and site visitors.

The insight survey shows that support for the project, at 83% in 2025, is broadly comparable with the results of a Spring 2020 consultation which included feedback from about 300 people and showed that 80% agreed or strongly agreed with plans for the reservoir.

The insight survey shows that views on the addition of Southern Water’s recycling scheme are split (40% supportive vs 42% unsupportive). This is a decrease in support when compared with the 2023 Barometer Survey, involving 434 Portsmouth Water customers and carried out to inform our Water Resource Management Plan 2024, which demonstrated 71% support for water recycling at Havant.

Visitor surveys suggest face-to-face engagement (such as through site visits) can shift sentiment markedly when people learn more about the water recycling process, with combined support for the reservoir and water recycling rising from 53% pre-visit to 77% post-visit.

Our engagement efforts have remained constructive and focused on clear, evidence-based communication.

Next steps

During the year, key supply chain strategies were developed and approved and early market intelligence secured to inform the next stages of delivery of the project.

While market pricing pressures continued to present challenges, the proactive, governance-led approach adopted during the year has identified procurement risks early to maintain confidence in our delivery of the next phases.

Our Board has continued to maintain oversight and control of the project, with continuation of the Havant Thicket Reservoir (HTR) Steering Committee and Commercial Strategy Group throughout the year.

Looking ahead 2026-27, the project’s priorities are:

- Completion of the CAM2 process and formal regulatory reset
- Instruction and integration of HWTWRP alignment works
- Continued safe and efficient delivery of construction activities
- Ongoing stakeholder engagement and environmental stewardship.

The Havant Thicket Reservoir project remains a critical investment in regional water resilience and continues to demonstrate strong governance, collaboration and commitment to long-term value for customers and the environment.



03

Sustainability



Introduction

Sustainability is central to who we are and how we operate. During 2025-26 we made a conscious shift to start to formalise our approach towards sustainability and our reporting.

In 2025 we established an Environmental, Social and Governance (ESG) committee, with oversight from our Board, and developed our sustainability strategy. This year we have published our first standalone sustainability report, alongside this Annual Performance and Accounts report. It reflects our commitment to transparency, continuous improvement and open accountability.

This section provides a summary of our sustainability activities during 2025-26. See our Sustainability Report 2025-26 on our website for a fuller account of our activities.

Our sustainability strategy

We developed a formal sustainability strategy during the year, which we shared with our customers and stakeholders to develop our approach to its implementation. The strategy sets out how we will deliver long-term value through goals centred around our three core strategic pillars:



These are rooted in our purpose, vision and values, underpinned by responsible and resilient business practices and aligned with the United Nations' Sustainable Development Goals.

Our strategy is starting to guide our decisions and actions to protect natural resources, reduce our environmental impact and support the wellbeing of the communities we serve.



Our purpose, vision and priorities

Our purpose is Excellence in Water. Always.

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

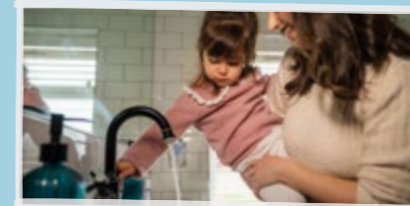
By being smart in our approach, we will work with our local communities to meet our goals, while protecting and enhancing the environment for generations to come.

Our priorities 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.

Sustainability goals

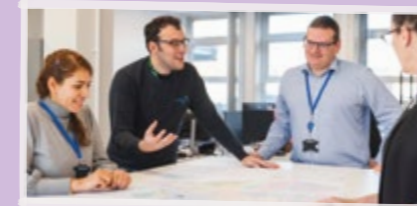
Our customers and communities



Our goals:

- **Ensure access to clean and affordable water for all our customers. Always.** Including those in vulnerable situations and those struggling to afford water
- **Empower our local communities** through community initiatives and charitable contributions
- **Support our customers to conserve water resources**

Our people



Our goals:

- **Drive a culture of health, safety and wellbeing** in everything we do
- **Foster community engagement** and promote employee wellbeing
- **Promote diversity and inclusion** within the company

The environment



Our goals:

- **Invest in the future** to meet growing environmental challenges
- **Reduce our climate impact**
- **Enhance biodiversity** across our sites

Governed by our responsible business practices

- Safeguard transparency and governance of operations
- Advance effective stakeholder engagement and collaborative partnerships
- Align regulatory compliance to international sustainability standards

Aligned to 11 UN Sustainable Development Goals



Our customers and communities

Our goals

- Ensure access to clean and affordable water for all our customers. Always
- Empower our local communities
- Support our customers to conserve water resources

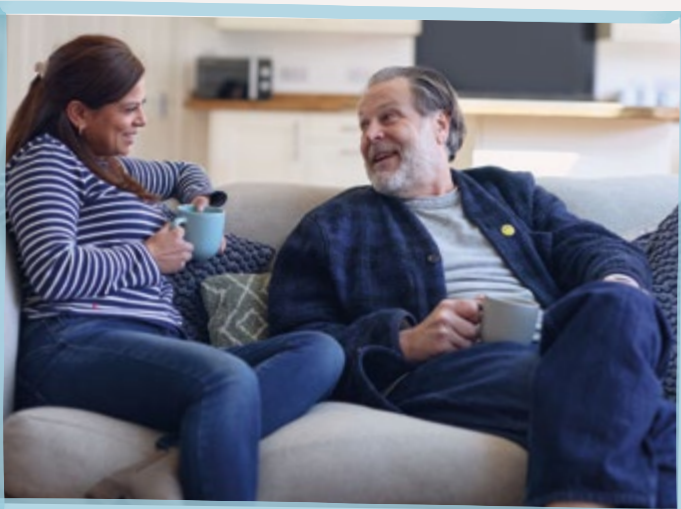
Clean and affordable water

As a company we take care of a resource essential to life, securing and delivering water supplies which are high quality, reliable and sustainable.

We continue to manage our water sources and supplies in the face of long-term pressures, including a growing population, increasing weather extremes and the need to protect sensitive chalk stream habitats. These challenges mean we must continuously adapt how we source, store and use water to ensure resilient supplies for our customers now and in the future.

The summer of 2025 was the UK's hottest on record, marked by exceptional heat, persistent dry spells and below average rainfall from October 2024 to July 2025 in our area. This meant recharge of the chalk aquifer from which we abstract most of our supplies was limited in autumn and winter, usually a critical time for recovery. Rain in August and September 2025 helped avoid the need to activate our Drought Plan and introduce Temporary Use Bans (TUBs), although we came close.

The exceptionally high volume of rain in January and February 2026 subsequently replenished the aquifer and meant overall rainfall for 2025-26 ended up 12% higher than the long-term average. This has put us in a healthy water resource position as we enter 2026-27.



Access for all. Always

Everyone should have access to high-quality, reliable water for a price they can afford and we have significantly strengthened our efforts to reach more households with financial and practical support.

During the year we supported more than 20,000 customers through the following schemes:

- Our social tariff – capped bills at £91 during 2025-26 if household income was less than £21,000 per year
- WaterSure – caps bills at the average for customers receiving benefits who have three children aged 19 or under, or a medical condition requiring above average water use
- Arrears assist – we match payments by customers who are in arrears but making payments.

We also published our first Vulnerability Strategy in 2025-26, which sets out how we will support customers until 2030, and expanded our vulnerability team to engage with more local organisations.

See page 27 for more information on our financial and practical support for customers.

Vulnerability satisfaction

Our annual survey of representatives from organisations who support vulnerable customers in our region in 2026 found 90% of the 37 respondents were either satisfied or very satisfied with the services we provide to our vulnerable customers.

Involving our customers and communities

We can only be sure we are meeting our customers' needs if we understand what is most important to them and where they would like to see improvements.

We have a Water Talks panel of 1,000 customers who participate in quarterly surveys. In 2025 we engaged with them on affordability, our services, our sustainability strategy, drought plan and priorities for our long-term water resource planning.

In 2026, we supported the first accountability session with a panel of our customers convened by the Consumer Council for Water (CCW), the independent watchdog representing consumers of water companies. These panels have been introduced for all water companies as part of a new Ofwat rule on involving customers in decision making.

CCW engaged 54 of our customers on research and in the session, where those attending were able to put questions directly to our Executive Team. We created an action plan based on their input, which is published on CCW's website, and we are keeping the panel updated on our progress.

In addition to our customers, we also engage widely with representatives of organisations in our area, including environmental, consumer and local authorities.

We have two key stakeholder groups, which regularly bring together representatives of speciality areas and the communities they work in – our Independent Challenge Group and Havant Thicket Reservoir Stakeholder Advisory Group.

Our Independent Challenge Group (ICG) was refreshed during the year and is made up of 25 representatives of interested local organisations. The ICG's role is to challenge us to make sure our customers' voices are heard in our planning and taken account of in our decisions. The group is far reaching with members including representatives from councils, Citizens Advice, CCW and rivers trusts. It has four subgroups – Vulnerability, Demand Reduction, Environment and Communications.

Partnering with our local communities

We pride ourselves on being an integral part of the communities we serve and encourage our employees to give back and add value.

During the year we:

- Supported National Apprenticeship Week 2026 – our apprentices joined an Apprenticeship Bus to engage secondary school students and our employees shared apprenticeship stories
- Continued our role as patron of Shaping Portsmouth – supporting social mobility and equity, networking, work experience, internships and industry placements
- Collaborated with the Women's Utilities Network and Armed Forces Covenant to promote careers in the sector
- Offered subsidised swimming lessons to 100 children in partnership with Horizon Leisure and Havant Borough Council.

Supporting water saving

A key part of securing resilient resources for our customers is to support their reduction in water use.

Installing smart water meters for all our household and non-household customers by 2035 is the first step.

Other initiatives during the year included:

- Initiating a partnership with retailer Ikea with a view to promoting alternative water efficiency products
- Working with water retailers and local businesses to find leaks and reduce water use
- Offering free water efficiency visits for commercial properties
- Partnering with water retailers to prepare for delivery of water efficiency visits to around 40 schools, with 15 scheduled for early 2026-27.

See page 30 for information on our support for our household customers to reduce their water use.

Mountbatten Centre

During the year, we worked with Portsmouth's Mountbatten Centre, a popular leisure centre with an Olympic size swimming pool. For a small investment we were able to help the centre save around four million litres of water each year – the equivalent of 50,000 baths or 80,000 showers.



Our people

Our goals

- Drive a culture of health, safety and wellbeing in everything we do
- Foster community engagement and promote employee well being
- Promote diversity and inclusion within the company

Our People strategy remains focused on growing our culture, developing capabilities and engaging our people.

Health and safety

The wellbeing of our employees, contractors and the public is incredibly important and we create the safest possible environments through our comprehensive approach to continuous improvement.

Fostering our 'Safety Always' culture was a key focus for the year as we brought our contracted workforce on board to deliver our ambitious five-year investment programme and the construction of Havant Thicket Reservoir. Our combined employee and contracted workforce grew to a peak of 900.

We achieved a very strong health and safety performance:

- No Health and Safety Executive (HSE) Reportable Incidents (RIDDOR) for Portsmouth Water employees, with one incident reported by a contract partner on Havant Thicket Reservoir
- No injuries which resulted in an employee being absent (lost-time injury).

We are incredibly proud to have been awarded the 2026 RoSPA Order of Distinction in recognition of 21 consecutive annual Gold Awards.

We promote a 'learning not blaming' culture to help identify issues and take preventative action before incidents occur and have continued to invest in our teams' skills in assessing risks during the year.



Employee wellbeing and community engagement

Employee engagement is a critical driver for our performance, continuous improvement, organisational culture and talent retention.

This year we had a 74% completion rate for our annual employee engagement survey, with an overall engagement score of 78%, up from 74% the previous year.

Our highest scoring areas continue to be understanding how our work fits in the bigger picture and benefits customers, clarity about expected performance, positive interactions with colleagues and managers and a team spirit.

Areas for improvement included being able to access the necessary support and resources to do a good job, feeling valued and appreciated, feeling in control at work and working free from worry.

Engagement scores in these areas have improved compared to the previous two years due to organisational change, the Hello to Opportunities annual performance and development review process, wellbeing initiatives for health-related issues for men and women and a new Employee Assistance Service including 24/7 virtual GP access.

Our 12-month rolling average absence rate (available days lost per employee due to sickness) in 2025-26 was 2.6%, a reduction on 3.1% the previous year. Providing mental health support and access to counselling is an important part of supporting employees to thrive and be present at work.

Our employee turnover for the year was 11.5%, below our target of 12%, which further demonstrates the effectiveness of our engagement and career progression initiatives.

We prioritise investment in the training and career development of our employees and also strive to maximise our apprenticeship levy to expand our entry level and work-based learning opportunities.

We encourage our employees to engage in the local communities we serve. During the year we introduced two paid volunteering days annually for all employees to take part in community initiatives.

Diversity and inclusion

We promote diversity across all our employees and we want every person to feel safe, respected and empowered to be their true, authentic selves.

This is particularly promoted through our People and Culture group and sub groups, including our Women in Water Community, Equity, Diversity and Inclusion Culture Group, Men's Space and Armed Forces Community.

In 2025, we celebrated Pride Month as a community sponsor of the UK Pride Event in Portsmouth, creating an opportunity to celebrate LGBTQ+ voices through employee stories.

Our latest Gender Pay Gap (GPG) report (2024-25) shows mixed progress on equality for women. Our median gender pay gap has improved, which more accurately reflects the roles of typical employees. However, our mean gender pay gap has increased by 1%. Gender pay gap is not the same as equal pay, which is the legal requirement that men and women must receive the same pay for the same work or for work of equal value. The gender pay gap across the company is due to the over-representation of men in higher paid roles. Since the last GPG report, we have appointed 30 new female colleagues, including six in senior leadership roles.



The environment

Our goals

- Reduce our climate impact
- Invest in the future to meet growing environmental challenges
- Enhance biodiversity across our sites

Climate change presents a significant challenge to our business. More extreme weather, such as droughts and flooding, are heightening pressure on our water resources, operations and the natural environment. In response, we are adapting to protect water resources and strengthen resilience, while also reducing our greenhouse gas (GHG) emissions and transitioning to a low-carbon future.

We have identified three long-term strategic priorities to achieve our net zero goals:

- Optimise energy efficiency
- Leverage renewables and lower-carbon energy
- Drive a culture of carbon responsibility.

We have an ambition to reach net zero by 2040 for our operational emissions. Our detailed pathway to delivery is currently being developed in alignment with the Water UK Net Zero Routemap. Additionally, in our business plan for 2025-30, we have a performance commitment to reduce operational GHG emissions by 14% by 2030 (from a 2024-25 baseline) *

This baseline and annual performance against set targets, as shown in Section 3E on page 219, are calculated using fixed 2022 emission factors, in line with the Ofwat performance commitment methodology. As a result, they differ from the Streamlined Energy and Carbon Reporting (SECR) disclosure presented on the next page, which reports our 2025-26 GHG emissions using the latest UK Government emission factors for company reporting.

In 2025-26, our target was to reduce in-year emissions by 4.22%, equating to 7,004.31 tCO₂e, against a baseline of 7,312.92 tCO₂e.** We ended the year at 7,383.39 tCO₂e, representing an increase of 1%, and therefore did not meet our target.

We will continue to embed energy and carbon reduction initiatives, driven by our three key strategic priorities, to make sure we reduce our GHG emissions to 2030 and meet our 14% reduction goal.

Our carbon reporting

In accordance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, we disclose our UK energy use and associated operational greenhouse gas emissions aligned with our financial year. This is through our Streamlined Energy and Carbon reporting.

GHG emissions associated with our operational activities have been calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard.

The UK water sector applies a bespoke Carbon Accounting Workbook, developed to reflect industry best practice. This workbook is updated annually to incorporate the latest UK Government GHG Conversion Factors for company reporting. Version 20.01 of the Carbon Accounting Workbook has been used to prepare the emissions reported in this disclosure.

The workbook captures operational emissions (Scopes 1 and 2, and relevant Scope 3 categories associated with service delivery). Embedded emissions are not fully included within this model.

To address this, additional methodologies are applied:

- Purchased goods and services (PG&S) and capital projects (cradle-to-gate) emissions are estimated using a spend-based approach using emissions factors published by the UK Government by Standard Industrial Classification of economic activities.
- Capital project (cradle-to-build) emissions, including those associated with Havant Thicket Reservoir are calculated using a bespoke carbon modelling tool, which captures emissions from raw materials and energy used on site (actuals-based approach). This is aligned with PAS 2080:2023 – Carbon Management in infrastructure and the built environment.

Our actions to become energy efficient are outlined on page 54. For further information on our GHG emissions see our Sustainability Report 2025-26.

	2025-26	2024-25	
Energy (kWh)	Total energy consumption Scope 1 and 2 emissions (kWh)	26,631,974.24	26,141,361.34
	Electricity imported	23,058,573.40	22,374,932.00
	Electricity generated (Solar PV)	1,787,784.00	1,591,226.34
	Gas	383,596.00	613,985.00
	Vehicle transport	1,402,020.836	1,561,218.00
Greenhouse gas emissions (tCO₂e)	Total Scope 1 (tCO₂e)	433.88	520.87
	Burning of fossil fuels (location-based)	87.18	150.33
	Process and fugitive emissions	11.42	2.54
	Vehicle transport	335.28	367.99
	Total Scope 2 (tCO₂e) location-based	4,081.37	4,632.73
	Purchased electricity (location-based)	4,081.37	4,632.73
	Purchased electricity (market-based)	789.35	962.71
	Total Scope 3 (tCO₂e)¹	2,237.18	2,253.16
	Business travel	11.30	9.41
	Outsourced activities	242.26	299.94
	Purchased electricity – extraction, production, transmission and distribution (location-based)	1,577.21	1,525.30
	Purchased fuels – extraction, production, transmission and distribution	95.20	118.33
	Chemicals	179.65	178.92
	Disposal of waste	131.57	121.26
	Total emissions avoided (tCO₂e)	-29.74	
	Emissions avoided from renewable electricity we export	-29.74	-
	Total Scope 1, 2 and 3 (tCO₂e) - location-based²	6,722.69	7,406.76
	Total Scope 1, 2 and 3 (tCO₂e) - market-based³	3,430.67	3,736.74
	Total Scope 3 Purchased goods and services (PG&S) and capital projects	17,014.58	25,572.65
	Purchased goods and services	7,115.91	6,139.30
Capital projects (cradle-to-gate)	4,151.67	19,433.35	
Capital projects (cradle-to-build)	5,747.00	-	
Total gross footprint⁴	23,767.13	32,979.41	
Energy intensity	tCO ₂ e / £m revenue	111.82	122.00
	tCO ₂ e / ML	0.10	0.09

Footnote 1: Excludes PG&S and capital projects.

Footnote 2: Excludes PG&S and capital projects, includes emissions avoided through renewable electricity export.

Footnote 3: Total Scope 1, 2 and 3 (market-based) emissions, includes emissions avoided through renewable electricity export and excludes emissions associated with purchased goods and services and capital projects. Market-based electricity emissions reflect emissions from purchased electricity using supplier-specific factors; Portsmouth Water procures 100% renewable electricity backed by Renewable Energy Guarantees of Origin (REGOs).

Footnote 4: Includes all reported greenhouse gas emissions across Scope 1, Scope 2 and Scope 3, calculated on a location-based basis. This includes emissions from purchased goods and services and capital projects, representing the organisation's full operational and value chain carbon footprint. This value excludes emissions avoided through renewable electricity export.

*This target excludes emissions associated with Purchased Goods & Services and capital projects. Emissions are calculated using the UKWIR CAW, fixed on 2022 emission factors, for Outcome Delivery Incentive (ODI) reporting.

**Ofwat has set the year-on-year emissions reduction baseline using the final determination forecast value (7,312.92 tCO₂e), rather than Portsmouth Water's actual reported emissions for 2024-25 using the Outcome Delivery Incentive methodology which applies 2022 fixed emission factors (7,443.79 tCO₂e). As a result, performance is assessed against a forecast baseline rather than the actual outturn for that year.

The environment

Our energy efficiency actions

Our operational GHG emissions are on the whole driven by electricity use (83%) with chemicals, fuel for our fleet, supplier activities, natural gas, business travel and waste disposal making up the remainder.

During 2025-26, we took steps to reduce these emissions, including:

- Decommissioning gas at a treatment site
- Upgrading heating systems to electric alternatives
- Enhancing energy monitoring with half hourly metering
- Refurbishing treatment processes to improve efficiency and resilience
- Replacing older pumps with more efficient models
- Switching our fleet from diesel to Hydrotreated Vegetable Oil
- Expanding on-site solar generation and battery storage.

Climate change adaptation

Our most recent climate risk assessment and the actions we are taking to manage and mitigate these risks are set out in our Climate Change Adaptation Report (2024). In 2025, we began a more targeted assessment of flooding and power resilience across our assets. This is helping to identify where innovative approaches and smarter investment can deliver stronger resilience outcomes. We will continue to develop and deliver these plans over the next year.

Biodiversity grant schemes

We gave six biodiversity grants totalling £63,400 in the year for others to enhance habitats close to our land and in our supply area. These were awarded to the National Trust, Portsmouth City Council and South Downs National Park for pond creation and pond, grassland and chalk pit restoration.

Meeting growing environmental challenges

Our business plan for 2025-30 sets out the steps we are taking to secure resilient supplies for the future, which are also sustainable and affordable.

Our investment is driven by the need to reduce demand for water, through our smart water metering programme, partnerships with our customers to save water and reducing leakage. We are also developing a new sustainable source, Havant Thicket Reservoir (see page 38).

Protecting and enhancing the environment

Alongside developing new resources, we are taking significant steps to ensure the sustainability of our current sources and protect the environment for future generations.

In 2025 we initiated a £4 million comprehensive environmental study encompassing nine catchments. This will identify locations where habitats can be improved for wildlife and what is needed for our rivers to reach 'good' environmental status, potentially including reducing abstraction.

We have a biodiversity performance commitment in 2025-30, which measures the net change in the number of biodiversity units on four of our sites. This is based on surveys every four years, with the first survey due in 2026. This also requires "no deterioration" of biodiversity on all land we own.

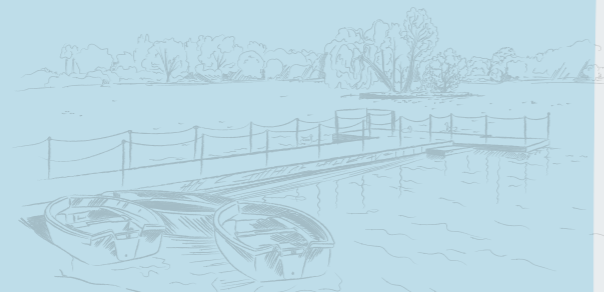
We maintained our exceptional environmental record in the year, achieving zero serious pollution incidents (Categories 1-2) for the sixth consecutive year and achieving 100% compliance with our environmental discharge permits.

See our Sustainability Report 2025-26 for further details on our sustainability activity and reporting during the year and page 32 for our performance against our regulatory commitments during the year.



04

Financial



Financial commentary

The financial year ended 31 March 2026 was the first year of the new Ofwat regulatory period. As set out elsewhere in this report, the Company has made good progress against a number of the challenging ODI targets and performance commitments, as well as on key capital programmes, including the Havant Thicket Reservoir (HTR) project. Discussions on HTR's revised plans and funding are also progressing, with agreement expected with Ofwat and Southern Water later in 2026.

The Company's statutory financial results for the year and its financial position as at 31 March 2026 are set out in the full Financial Statements on pages 146 to 181. Key amounts are summarised below:

	Year to 31 March 2026 £m	Year to 31 March 2025 £m	Year to 31 March 2024 £m
Turnover	60.1	49.6	47.9
Net operating costs (excluding depreciation and amortisation)	(39.4)	(36.0)	(33.4)
Depreciation and amortisation of tangible and intangible fixed assets	(9.4)	(6.9)	(6.3)
Operating profit before gain on disposal of fixed assets and exceptional items	11.3	6.7	8.2
Exceptional item – settlement and related costs on pension scheme	(1.2)	(0.3)	-
Operating profit after gain on disposal of fixed assets and exceptional items and before interest	10.1	6.4	8.2
Interest receivable and similar income	0.7	4.0	6.2
Interest payable and similar charges	(6.8)	(8.7)	(18.7)
Profit/(Loss) on ordinary activities before taxation	4.0	1.7	(4.3)
Taxation on profit on ordinary activities	(1.1)	(0.6)	0.9
Profit/(Loss) for the financial year	2.9	1.1	(3.4)

Revenue

Revenues have increased by 21% to £60.1 million, reflecting inflationary and price review increases across household and non-household tariffs in 2025-30. Other revenues were largely consistent with prior year levels, including bulk water supplies, where we have continued to support other water companies, principally Southern Water, during periods of peak summer demand.

The Company also billed and received £20.2 million of capacity charges associated with the HTR project from Southern Water (2025: £nil). These amounts will be deferred in line with UK accounting standards until the reservoir enters operation but are recognised in the Company's regulatory income for the year.

Operating costs

Net operating costs increased by 14% to £48.8 million during the year, reflecting the increased funding from the regulatory allowances noted above to achieve the agreed 2025-30 business plan. Cost increases included:

- Higher energy and related costs, including those associated with the additional costs of pumping water from lower ground water levels experienced through the 2025 summer
- Higher employment costs, reflecting increased staff levels to meet the growth in the business and delivery of the new commitments set out in our business plan for 2025-30

- Higher leakage, repair and maintenance costs across the network and production operations
- Inflationary increases across key supplier contracts, including software licensing and cyber security
- Customer rebates arising from historic underperformance against guaranteed service standards, principally relating to low water pressure
- Higher depreciation and amortisation charges, reflecting the increased level of capital investment assets brought into operational use in recent years.

Many of the new employees are engaged on capital-related activities, including the HTR project. Their employment costs are therefore capitalised within project values rather than recognised in operating costs for the year.

The £1.2 million exceptional cost relates to an accounting charge associated with changes made to the defined benefit pension scheme arrangement following a new insurance 'buy-in' policy taken out by the trustees of the pension scheme. This insurance buy-in policy further reduces the long-term risks associated with the pension scheme and was fully funded from the existing pension scheme surplus, with no additional cash contributions required from Portsmouth Water.

There were no material disposals of fixed assets in the current or prior periods.

Operating profit

Operating profit at £10.1 million represents a £3.7 million increase from the prior year, reflecting the higher levels of revenues recorded in the current year, which are only partly offset by the higher operating costs and exceptional items detailed above.

Interest receivable and similar income

Interest and other finance income has reduced to £0.7 million, compared to £4 million in the previous year. This fall reflects reduced investment income from the lower levels of excess cash and short-term deposit balances held. These balances have reduced over the year as funds have been utilised on capital investment projects, including the on-going HTR construction.

Interest payable and similar charges

Interest payable and similar charges decreased to £6.8 million from £8.7 million in the previous year. This amount is stated net of £16.4 million of borrowing costs capitalised into the main capital projects under construction (2025: £9.3 million), in line with the Company's accounting policies. The increase in the gross interest and financing costs is due mainly to the higher indexation charges arising on the Artesian RPI bank loan and the CPI Bond, reflecting the higher inflation-related measures applicable in the current year, together with interest arising on the new bank loans drawn down in the year.

Gross interest and similar costs also include a loss of £1.6 million arising in the year on the RPI-CPI 'swap' financial instrument (2025: gain of £0.9 million) which has been in place since 2023 and runs to 2032. This swap is intended to mitigate the Company's exposure to adverse movements in RPI relative to CPI through to the September 2032 maturity of the RPI-linked Artesian bank loan. Hedge accounting, which is applied to the Company's other floating-to-fixed interest rate swaps also taken out in 2023, is not available for this RPI-CPI swap.

Taxation charge

There is a deferred tax charge in the year of £1.1 million (2025: £0.6 million) relating to the pre-tax profit recorded of £4 million (2025: £1.7 million). This is largely in line with the applicable deferred tax rate for the year of 25% (2025: 25%). There is £nil current tax charge and £nil corporation tax payable, reflecting the tax losses recorded in the year and the tax losses carried forward from prior years.

Dividends paid and proposed

The Company's dividend policy for 2025-30 is calculated from a base 2% return on the Company's regulated equity. This is lower than the industry guidance provided by Ofwat (normally a 4% return on regulated equity), recognising the additional equity requirements applicable during the construction of HTR. The Board has also considered adjustments in this calculation (upwards or downwards) depending on the following factors, which reflect the financial resilience and Company performance in each financial period:

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

Further details on the dividend policy are set out on pages 88 to 97.

During the year to 31 March 2026, the Company paid the prior year dividend of £2.9 million (2025: £3.2 million) which was calculated based on the AMP7 (2020-25) Ofwat guidance of 4% return on regulated equity. The Board is proposing a dividend of £3.045 million relating to this financial year, calculated as noted based on a 2% return on regulated equity. This is expected to be paid before 30 September 2026. No additional interim dividends were paid in the year (2025: £nil).

Cash and cashflows

Operating cashflow in the year was a net cash inflow of £36.9 million (2025: £10.4 million). This increase in operating cash flow reflects:

- The billing and payment of capacity charges on the HTR BSA contract with Southern Water of £20.2 million, with no such amounts arising in the previous year
- Higher overall levels of operating profits achieved in the period, largely reflecting the increased levels of operating revenues recorded (as detailed above).

The overall net 'cash and cash equivalent' balances held have decreased to £26.9 million at 31 March 2026 (2025: £50.8 million). The net cash movements in the year include significant investment outflows relating to continued expenditure on capital projects of £114 million, including HTR construction. These have been largely funded from the use of the short-term cash deposits carried forward from the prior year, the positive operating cashflows generated in the year and by the draw-down of £65 million of funds from the available bank loan facilities.

Overall, the company still has significant undrawn bank facilities available to it at 31 March 2026 of £155 million. These facilities are in place through to 2028 and are expected to be able to fully meet the company's operating, investment and finance cash requirements through the remainder of the next financial year to 31 March 2027.

The company has begun discussions with its shareholders and banks regarding the extension and expansion of the equity and debt funding available to the Company going forward for it to complete the capital expenditure and operational plans set out in its 2025-30 business plans, including a large part of the remaining construction of the HTR project. It is anticipated these discussions will continue and agreed additional funding for the business will be secured later in 2026.

Financial commentary

Capital investments

During the year, HTR capital expenditure increased to £81.4 million (2025: £50.1 million), taking total direct project spend to date to £211 million. Further details on HTR, including progress made on construction activities, are set out on pages 38 to 43. In addition to the direct capital spend on the project, a further £15.9 million of related borrowing costs (2025: £8.4 million) were capitalised in line with the Company's accounting policies, bringing the cumulative capitalised borrowing costs to 31 March 2026 to £38.3 million (2025: £22.4 million).

Expenditure on other capital projects also increased to £33.1 million (2025: £29.8 million) including £0.4 million of capitalised borrowing costs. This reflects continued investment in new and renewed mains infrastructure, pumping plant and related equipment, as well as the new Customer Relationship Management (CRM) system (Kraken) and the smart water metering project.

Capital contributions

The Company receives capital contributions, primarily in connection with new mains for housing developments. These amounted to £1.3 million (2025: £1.2 million). In accordance with FRS 102, these contributions are deferred and amortised to the Income Statement to match the related depreciation cost on the assets. Prior year capital contributions recognised in revenues in the year were £0.8 million (2025: £0.7 million).

Pensions

The Company is the principal employer of the Brockhampton Pension Scheme ('BPS'), a defined benefit scheme. The scheme closed to future accrual on 31 March 2023. No further cash contributions from employees or the Company are expected to be required. The latest scheme valuation as at 31 March 2026, based on FRS 102 assumptions and market movements was calculated by independent qualified actuarial advisors. This estimated a net pension surplus of £10.2 million (2025: £20.5 million). In line with the required accounting requirements and following the closure of the scheme to future accrual, none of this surplus is recognised by the Company as at 31 March 2026 (2025: £nil).

In June 2025, scheme funds were used to purchase a further insurance policy covering members not covered by an original insurance policy which was put in place in 2018. This 'buy-in' further reduces the ongoing risks for Portsmouth Water associated with the pension scheme. As part of this transaction, member benefits were fully equalised, resulting in an additional FRS 102 pension charge of £0.9 million arising. Together with £0.3 million of buy-in related advisory costs, this has been recorded as a total exceptional expense of £1.2 million in the current year income statement (2025: £0.3 million).

In addition, employees are members of a Company-defined contribution pension scheme, to which the Company paid pension contributions in the year of £2.5 million (2025: £2.1 million).

Other financial matters

Ownership structure

The Portsmouth Water group is wholly owned by funds managed by Ancala Partners LLP (Ancala). Ancala is a UK-based infrastructure fund manager whose investors are primarily UK and European corporate and local authority pension plans with long-term investment horizons. Ancala is committed to supporting the Company's purpose of Excellence in Water. Always. Ancala's ownership is through an investment holding company, Ancala Forna Topco Pte Limited (AFTPL), a company incorporated in Singapore but domiciled for tax purposes wholly in the UK. This company is considered the ultimate parent undertaking of Portsmouth Water Limited and Ancala is considered its controlling party. Investment into Portsmouth Water Limited is affected from AFTPL through Ancala Forna Holdco Limited (AFHL), a UK incorporated company. Group financial statements for both AFTPL and AFHL are prepared annually as at the 31 March financial year end and these group financial statements include the consolidation of Portsmouth Water Limited and its fellow subsidiary companies. All operations and tax-related liabilities for the AFTPL and AFHL group are generated and payable in the UK.

Further information on the Portsmouth Water group ownership structure is set out on page 17.

Financing structure

The wider Portsmouth Water group, including its UK parent companies, raised £495 million of financing over the previous regulatory period from 2020-2025, primarily to support the planned development and construction of Havant Thicket Reservoir and other capital enhancement projects. This was achieved through a combination of £250 million of new bank revolving credit facilities (£45 million of which is in parent companies) and a £75 million CPI-linked bond (both of which were secured in March 2023), with an additional £170 million of funding having been provided by Ancala.

This additional £170 million funding from Ancala has been reflected by:

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

The additional funding balances received from the CPI Bond issue (£75 million) and Ancala funding received (£170 million), has largely been used to fund ongoing capital expenditure (as noted above) and the repayment of an existing £20.6 million parent company loan, with excess funds placed on

short-term bank deposits and similar short-term (liquid) investments. These excess funds have reduced in the year as funding of capital projects has been required and the activities on the Havant Thicket Reservoir construction have increased. In September 2025 the first funds were drawn down from the bank revolving credit facilities, with £65 million drawn down as at 31 March 2026.

As part of the completion of capital programmes planned for the remainder of the investment period from 2025 to 2030 and beyond, including the revised Havant Thicket Reservoir project, additional financing for the Company will be required. This is expected to be both additional equity investment originating from Ancala, as well as the extension of and increase to the bank and other external borrowing facilities available. Negotiations with a number of interested parties are continuing and the directors anticipate these will be successfully concluded during the year to 31 March 2027.

Financial resilience

Ofwat review

In its annual review of the UK Water Sector and company financial resilience (published in November 2025), the Company has continued to be classified in the 'Elevated and Enhanced Monitoring' category, along with five other water companies. In its commentary on this assessment, Ofwat continues to highlight the risks associated with the Havant Thicket Reservoir project, largely due to the scale and complexity of the project and the size of the investment required compared to the size of the Company itself. Ofwat has also highlighted the relatively low levels of regulatory gearing at the current time but has identified the expectation this will rise over the period of full construction of the reservoir.

Credit rating

The Company has a credit rating with Moody's which remains at Baa2 Stable following a rating review update published in March 2026. It was noted by Moody's that this rating was supported by the Company's position as a licensed provider of essential water supply services, a solid financial profile, strengthened by material equity injections in recent years and a track record of strong operational performance. Moody's also highlighted that the rating was constrained by the risks associated with the completion of constructing HTR.

Liquidity and going concern

The Company has access to cash resources through available cash balances and existing unutilised borrowing facilities which are considered adequate to meet the Company's requirements over the next year. Additional long-term funding, both from new equity and borrowing facilities, is expected to be secured before the end of 2026. Further details on this are set out in the Viability Statement on pages 71 to 77. As such, the directors continue to prepare the Company's financial statements on the going concern basis.

Financial commentary

Supplier payment practices

We recognise the importance of paying suppliers on time and the harm caused by extended payment terms. Payment disputes are rare and, through close supplier relationships, are identified quickly so the Company's Financial Controller and procurement managers can resolve them promptly.

Supplier statements are reconciled to the Company's financial records and payment systems are managed and updated daily. We are also enhancing internal processes and reporting to demonstrate full alignment with the Government-backed Fair Payment Code. Our existing payment terms and practices already meet these standards and for the latest reported period (the six months to 31 March 2026) the average time from invoice receipt to payment was 13 days (six months to 31 March 2025: 27 days). Full details of our payment practices and performance are available on our website.

Taxation strategy

Portsmouth Water is committed to full compliance with UK tax laws. We recognise that paying tax is an important contribution to the economy in which we operate, including corporation tax when due, as well as indirect, employment and environmental taxes. Our tax affairs are managed in line with the Company's values and with regard to our wider corporate reputation.

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 2020 the group has elected in to the Public Benefit Infrastructure Exemption (PBIE).

Governance in relation to UK taxation

Ultimate responsibility for tax strategy rests with the Board. The Chief Financial Officer has executive responsibility for tax matters, with day-to-day management delegated to the Group Financial Controller and wider finance team. The team is appropriately trained and supported by external professional advisers where specialist advice or filing support is required.

Attitude towards tax planning and level of risk

We assess tax evasion and compliance risks across the business and maintain controls to mitigate higher-risk areas. Our approach to tax planning is prudent, focused on full compliance, timely payment of the right amount of tax and a high degree of certainty in our tax affairs. The wider group applies the same approach. Where specific risks arise, the Board considers them in light of materiality and seeks specialist advice where appropriate.

Where available, we also make appropriate use of Government tax incentives, including research and development tax reliefs, and carefully manage capital

allowances to claim only legitimate reliefs. Given the significant capex and opex incurred in recent years, we have engaged external advisers to review whether qualifying expenditure may be eligible for Research and Development Expenditure Credit (RDEC) under HMRC rules.

Working with HMRC

We seek a transparent, respectful and proactive relationship with HMRC, whether directly or through intermediaries. Any inadvertent errors in submissions are disclosed as soon as reasonably practicable after they are identified. Future tax changes are also considered through Water UK's Tax Forum, of which the Company is a member.

Corporate Criminal Offences Code of Conduct

In line with UK government guidance, we have assessed the risk of tax evasion across the business and concluded it is low. Tax evasion, tax fraud, and the facilitation of either are inconsistent with the Company's values. We expect all third parties working with us to meet their tax obligations, including compliance with IR35 where relevant.

Accountability and governance

The Board has approved a Code of Conduct which supports our zero-tolerance approach to tax evasion and its facilitation. The Chief Financial Officer oversees compliance, supported by the Board and management team. Employees are required to report promptly any request or situation which could facilitate tax evasion, using established reporting and whistleblowing procedures where necessary.

Bank and borrowing covenant compliance

Compliance confirmations are required every six months (as of 31 March and 30 September period end) under the terms of the borrower Security Trust and Intercreditor Deed (STID) arrangement that Portsmouth Water is a party to. This STID underpins the long-term borrowing arrangements for the Artesian RPI-linked loan and other borrowing facilities. Under this, the Company is required to confirm that:

- There are no potential trigger events, trigger events, potential acceleration events or acceleration events outstanding that have been identified under the ongoing Borrower Finance Documents as at the measurement date
- The Debt Service Payment Account and Operating Account are funded to the required levels
- There has been no event which would be expected to give rise to an insurance claim in excess of 5% of the Company's Regulated Asset Value
- There have not been any other events identified which have or would be reasonably likely to have a Material Adverse Effect on the assessment of covenant compliance.

The directors confirm the above confirmations will be given as part of the compliance reporting for the 31 March 2026 reporting period.

KPI ratios

The Company monitors a number of key performance ratios (KPIs) as part of normal performance management and to demonstrate compliance with its bank and borrowing covenants. Ofwat also considers a number of wider water industry KPIs to be important.

The key KPIs for the year ended 31 March 2026 are summarised below, with detailed calculations set out in the tables which follow:

a) Earnings before interest, tax, depreciation and amortisation (EBITDA)

EBITDA indicates the profitability of the business and the cash generated from normal trading which is available to service interest and support capital investment. For the year ended 31 March 2026, EBITDA was £20.7 million (2025: £13.6 million).

b) Gearing ratio (RAR)

Gearing, or the Regulated Asset Ratio (RAR), measures net debt against regulated capital value (RCV) and is a key STID covenant metric. For Ofwat purposes, net debt includes subordinated intra-group loans; for banking purposes, it excludes them. RCV is based on Ofwat's methodology, including the Havant Thicket Reservoir Cost Adjustment Mechanism 1 funding uplift agreed in January 2023 and fully effective from 1 April 2025.

At 31 March 2026, RAR was 47.8% for regulatory reporting (2025: 38%) and 43.1% for banking purposes (2025: 32.5%). The STID maximum for banking purposes is 80% through the 2025-30 period to 31 March 2030, while Ofwat's target for the sector is below 70%.

c) Interest cover ratio (ICR)

The adjusted interest cover ratio (ICR) compares adjusted cash earnings, including cash drawn from the Proceeds account to fund capital expenditure, with interest paid in the period. It demonstrates whether the Company had sufficient funds, from operations and financing raised in the current or prior years, to support its capital programme. The Company also reports a basic ICR, which compares EBITDA with actual interest paid.

For the year ended 31 March 2026, adjusted ICR was 1.45 times (2025: 1.45 times), above the STID minimum of 1.40 times required for distribution payments. Going forward, additional funds remain available through existing bank facilities and can be drawn through the Proceeds account as needed to support the capital programme and maintain compliance.

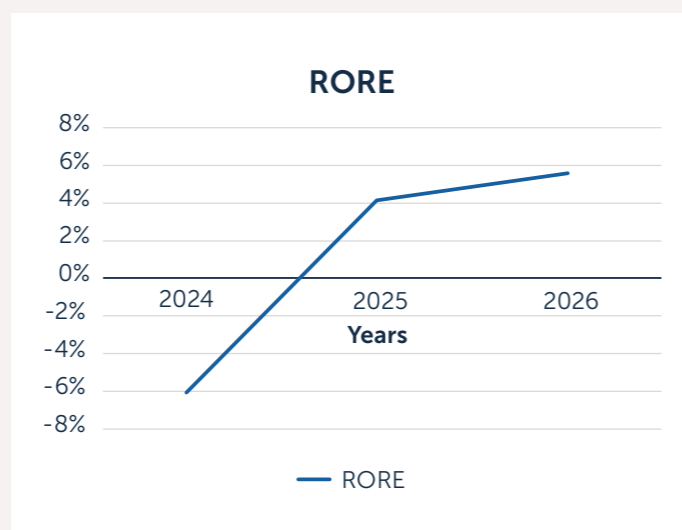
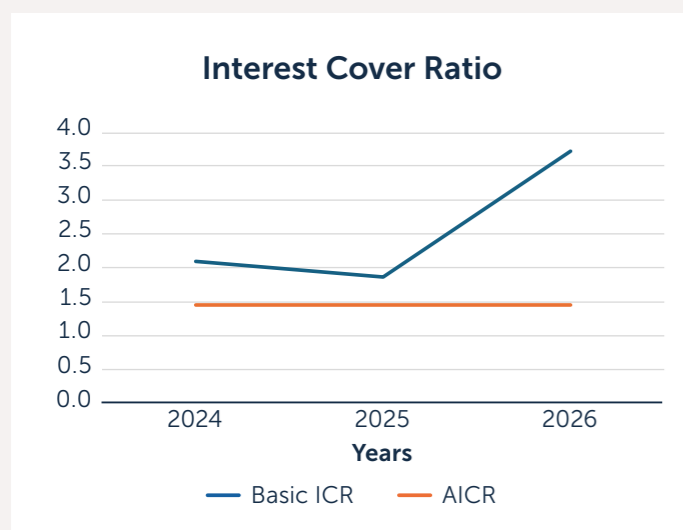
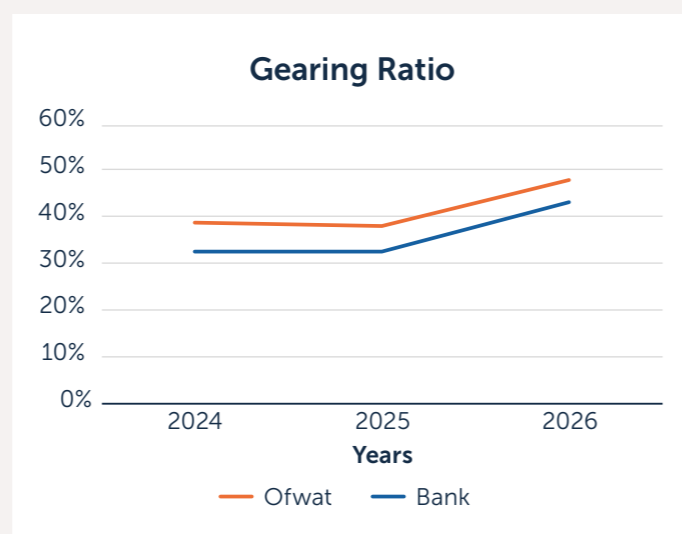
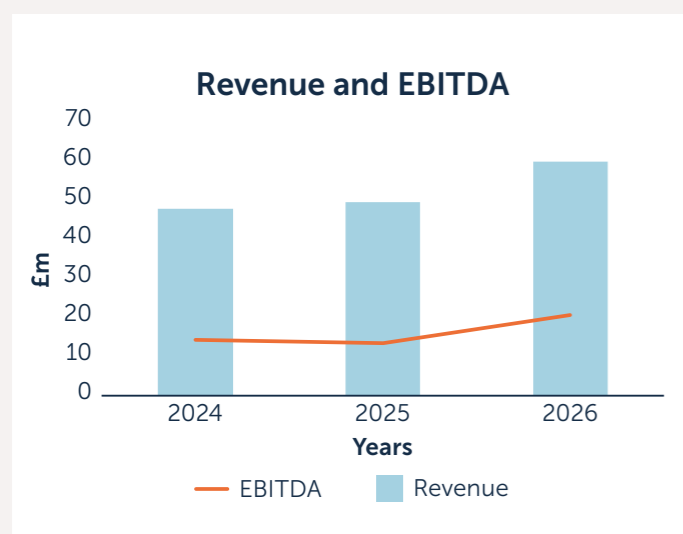
d) Return on regulatory equity (RORE)

RORE reflects the Company's regulatory profit return for the year relative to average regulatory equity and differs from the statutory profit measures reported under UK GAAP. For the year ended 31 March 2026, regulatory RORE was 5.4% (2025: 4.2%)

e) Dividend cover

Dividend cover shows how much of the proposed year-end dividend is supported by retained statutory profits for the year. Where profits are insufficient, dividends may still be paid from retained earnings brought forward. For the year ended 31 March 2026, the proposed dividend for payment in the following year is £3 million against realised profits of £4.2 million, giving dividend cover of 1.37 times. After payment, retained earnings available for future dividends will be £8.5 million.

Financial commentary



Calculation of KPIs for year ended 31 March 2026

	Year to/at 31 March 2026 £000	Year to/at 31 March 2025 £000	Year to/at 31 March 2024 £000
a) Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)			
Operating profit before gain on disposal of fixed assets and exceptional items	11,286	6,697	8,163
Depreciation of tangible fixed assets	6,929	6,419	6,198
Amortisation of intangible fixed assets	2,479	463	124
EBITDA	20,694	13,579	14,485
b) Gearing ratio (RAR)			
Debt			
Bank RPI Artesian loan	154,608	147,416	142,285
Bank facilities drawn down	65,000	-	-
CPI bond	82,773	80,340	78,026
Finance lease liabilities	1,113	1,070	1,041
Net SWAP financial instrument liabilities/(assets)	(164)	(568)	1,471
Debenture stock	283	283	283
Cash at bank and cash equivalents	(26,892)	(50,775)	(115,959)
(A) Net debt (excluding intra-group loans)	276,721	177,766	107,147
Intra-group subordinated loan	30,000	30,000	20,623
(B) Net debt (including intra-group loans)	306,721	207,766	127,770
(C) Regulatory capital value (indexed to year-end)	641,660	546,775	330,507
Gearing for bank reporting – Debt:RCV ratio (=A/C)	43.1%	32.5%	32.4%
Gearing for Ofwat reporting – Debt:RCV ratio (=B/C)	47.8%	38.0%	38.7%
c) Interest Cover Ratio (ICR)			
Operating profit before gain on asset sale and exceptional items	11,286	6,697	8,163
HTR capacity charges receivable in the year	20,192	-	-
Amortisations of deferred capital contributions	(834)	(749)	(1,048)
Depreciation and amortisation charges	9,408	6,882	6,322
Interest income received	995	6,181	5,814
Proceeds from sale of fixed assets	15	-	-
Basic cash earnings for period (A)	41,062	19,011	19,251
Capital expenditure (net of fixed asset disposals and capital contributions)	(112,760)	(77,755)	(60,563)
Net drawings from Proceeds account to fund capex	87,692	73,527	54,700
Adjusted cash earnings for period for debt covenant compliance (B)	15,994	14,783	13,388
Interest paid in the period (C)	11,030	10,195	9,206
Basic ICR ratio (= A/C)	3.72	1.86	2.09
Adjusted ICR ratio for group debt covenant compliance (= B/C)	1.45	1.45	1.45
Movements on Proceeds account in the period:			
Balance at 1 April 2025/ 1 April 2024 / 1 April 2023	100	100	100
Bank RCF loan funds drawn down	65,000	-	-
Inter-group loan funds received	-	9,377	55,484
Share capital funds received	-	-	60,000
Balance transferred from/(to) other operating accounts in the period	22,692	64,150	(60,784)
Funds drawn down for capital expenditure in the period	(87,692)	(73,527)	(54,700)
Balance at 31 March 2026 / 31 March 2025 / 31 March 2024	100	100	100
d) Return on Regulatory Equity (RORE)			
Operating profit reported for statutory accounting purposes	10,084	6,334	8,132
Adjustments relating to regulatory reporting (see Table 1F on page 188 for full details)	8,291	3,260	(13,443)
(i) Calculated regulatory return	18,375	9,594	(5,311)
(ii) Average regulatory equity	339,287	231,446	87,508
(iii) Return on Regulatory Equity (= (i)/(ii))	5.42%	4.15%	(6.07)%
e) Dividend cover			
Dividend proposed for payment in next financial year	3,045	2,894	3,223
Retained profit for the year	2,868	1,138	(3,430)
Defined benefit pension gain recorded in Other Comprehensive Income	1,302	614	273
Increase to distributable earnings in the year	4,170	1,752	(3,157)
Current year dividend cover ratio	1.37	0.61	n/a
Distributable earnings reserve before payment of dividend	11,518	10,242	11,713
Dividend cover on distributable earnings reserve	3.78	3.54	3.63

Principal risks and uncertainties

The Board is responsible for determining the nature and extent of the principal risks the Company manages in order to achieve its strategic objectives, as well as maintaining an effective system of risk management and internal control.

Principal risks are those which could materially impact Portsmouth Water's ability to deliver its strategy, meet regulatory obligations or maintain operational and financial resilience.

These risks are identified and managed through the Company's enterprise risk management framework and are subject to formal review by the Risk Review Board, Audit and Risk Committee, and Board; to ensure they remain aligned to strategic priorities and the external operating environment.

This formal review is supported by several internal decision-making groups, as outlined in the table, which meet regularly and are led by senior management.

Each principal risk is supported by defined mitigations, clear ownership and ongoing monitoring to manage exposures.

Principal risk	Risk exposure	Risk management	Governance and ownership
CAM2 (cost adjustment mechanism) outcome for Havant Thicket Reservoir delivery costs	There is a risk the business receives an adverse CAM2 determination from Ofwat due to a poorly evidenced application, resulting in insufficient funding for the Havant Thicket Reservoir project programme delivery. This would impact stakeholders and shareholder returns	<ul style="list-style-type: none"> Expert external advisors supporting and delivering key work and programmes for the CAM2 process Externally provided third-party assurance on plans, timelines and financial assumptions Independent review by internal and external experts ("red team") of the CAM2 application 	<p>Exec owner: Chief Executive Officer Chief Financial Officer</p> <p>Governance:</p> <ul style="list-style-type: none"> Havant Thicket Reservoir Executive Team Commercial Steering Group Havant Thicket Reservoir Steering Committee Portsmouth Water Board
Capital programme not achieving cost, time or scope requirements	Due to project management maturity and lack of visibility of the capital plan, projects are delayed, costs overrun and deliverables are not met; leading to ODI or PCD impacts, financial clawbacks or penalties and reputational damage to Portsmouth Water	<ul style="list-style-type: none"> Programme Management Office to monitor and report progress against financial forecast, project plans and delivery risks Risk and Value process ensures scope, costs and risks are managed and checked at critical points in the process Gateway governance process allows for projects to track within their lifecycle and gain approvals at critical points Price Control Deliverable reporting process to regulator(s) provides external assurance and scrutiny on main impact areas 	<p>Exec owner: Chief Asset Officer</p> <p>Governance:</p> <ul style="list-style-type: none"> Quarterly Business Reviews Capital Process Group Portsmouth Water Executive Team weekly meetings Portsmouth Water Board

Principal risk	Risk exposure	Risk management	Governance and ownership
Catastrophic (long-term) failure of critical site(s)	Catastrophic failure of one or more critical operational sites in the company's area of operation (long-term loss due to fire, flood, or hydrocarbon infiltration) would have a material impact upon our ability to operate and deliver for customers	<ul style="list-style-type: none"> Alarm monitoring of key operational sites through telemetry Duty and standby equipment at all sites Operational site emergency plans and safety equipment Reservoir storage Inter-zonal water transfers Pumping station automatic cut-off Drinking Water Safety Plans (DWSP) Operational and emergency use stock holding and monitoring Water hygiene training (EUSR Blue Card) of Portsmouth Water personnel 	<p>Exec owner: Chief Operating Officer</p> <p>Governance:</p> <ul style="list-style-type: none"> Portsmouth Water Executive Team weekly meetings Protective Security Board Portsmouth Water Board
Delivery of ODIs	Risk of unsuccessfully meeting Outcome Delivery Incentive (ODI) targets, with the potential to result in financial penalties and reputational damage to Portsmouth Water	<ul style="list-style-type: none"> Performance against targets reviewed by the Executive Team and Board Quarterly business reviews to review performance to date and future performance expectations Outcome Delivery strategies for each performance condition set out the practical interventions to deliver required performance 	<p>Exec owner: Chief Financial Officer</p> <p>Governance:</p> <ul style="list-style-type: none"> Quarterly Business Reviews Risk Review Board Portsmouth Water Executive Team weekly meetings Portsmouth Water Board
Failure to supply water fit for human consumption	A failure of Portsmouth Water to supply its customers with water that is fit for human consumption; which could restrict the supply of water and incur regulator-issued licence and financial penalties (including those within the Water (Special Measures) Act 2025)	<ul style="list-style-type: none"> Established programme of regular water quality testing Alarm monitoring and site shutdown functionality at operational sites Operational site emergency plans Reservoir storage Drinking Water Safety Plans (DWSP) Pumping station automatic cut-off Water hygiene training (EUSR Blue Card) of Portsmouth Water personnel Catchment and Water Risk teams 	<p>Exec owner: Chief Operating Officer</p> <p>Governance:</p> <ul style="list-style-type: none"> Drinking Water Safety Plans (DWSP) weekly risk meetings Operational Leadership weekly meetings Portsmouth Water Executive Team weekly meetings Portsmouth Water Board

Principal risk	Risk exposure	Risk management	Governance and ownership
Havant Thicket Reservoir project	Risk of not delivering the Havant Thicket Reservoir project on time and to budget, due to, but not limited to, design changes, planning issues, contractor underperformance, weather, scope creep and environmental and Health and Safety issues	<ul style="list-style-type: none"> • Various governance groups providing oversight and support to the Havant Thicket Reservoir project • Monthly reporting against project plan and monitoring of project risks • Regulatory cost adjustment mechanism (CAM) • ODI dates set at P80 confidence level • Proactive focus on design, planning and consents • Independent assurance of project management procedures and systems • Extending earthworks season to negate wet weather and all-year filling • Increased workforce 	<p>Exec owner: Chief Executive Officer</p> <p>Governance:</p> <ul style="list-style-type: none"> • Havant Thicket Exec Team • Risk Review Board • Joint Project Assurance Group (JPAG) • Commercial Steering Group • Havant Thicket Reservoir Steering Committee • Portsmouth Water Board
Health and Safety incident	<p>Risk of a major health and safety incident occurring during operational or construction activities associated with Portsmouth Water assets and operations, or the Havant Thicket Reservoir Project</p> <p>A serious incident could arise from failures in safe systems of work, contractor management, supervision, competency, communication, permit controls, or compliance with statutory duties</p> <p>Such an event could result in investigation by the Health and Safety Executive (HSE), prosecution, financial penalties, project shutdowns, reputational damage, regulatory intervention, and long-term impacts on workforce morale and stakeholder confidence</p>	<ul style="list-style-type: none"> • Dedicated Health and Safety teams embedded into Portsmouth Water and Havant Thicket Reservoir leadership teams • H&S Management System aligned to HSG65 • Prequalification competency checks and performance management of contractors and subcontractors • Dynamic risk assessments across the workplace and construction phase plans • Site safety tours, behavioural observations, and engagement by leadership with frontline teams • Incident lessons learned reviews • Occupational health surveillance and wellbeing support programmes • Escalation and governance routes for safety concerns • Stakeholder engagement to ensure compliance and continuous improvement (i.e. HSE, Water UK, EA) 	<p>Exec owner: Chief Executive Officer</p> <p>Governance:</p> <ul style="list-style-type: none"> • Health, Safety and Wellbeing Committee • Havant Thicket Reservoir HSWE Committee • Havant Thicket Exec Team • Portsmouth Water Exec Team • Risk Review Board • Portsmouth Water Board

Principal risk	Risk exposure	Risk management	Governance and ownership
Legal and regulatory compliance	Non-compliance with regulation and legislation Portsmouth Water is required to comply with as both a water company and as a business operating within the UK could result in reputational damage, operational constraints and negative impacts on funding	<ul style="list-style-type: none"> • Governance and legal obligations reviewed and supported by Company Secretarial and Economic Regulation teams • Availability of expert external advisors • External legal counsel provides subject matter expertise • Horizon scanning of industry legal threat trends 	<p>Exec owner: Chief Financial Officer</p> <p>Governance:</p> <ul style="list-style-type: none"> • Audit and Risk Committee • Portsmouth Water Board
Pollution or chemical spill in aquifer zone	Loss of aquifer, pumping station and/or treatment works following an oil, pollution or chemical spill into the aquifer zone within Portsmouth Water's operational region; leading to temporary or permanent shut-down of treatment works, loss of aquifer, extensive remedial works and lack or loss of water for Portsmouth Water customers	<ul style="list-style-type: none"> • Catchment management work and audits throughout Portsmouth Water's operational area • Oil storage assessments and repairs provided by Portsmouth Water to properties within zone one • Pumping station automatic cut-off 	<p>Exec owner: Chief Operating Officer</p> <p>Governance:</p> <ul style="list-style-type: none"> • DWSP weekly risk meetings • Operational leadership weekly meetings • Portsmouth Water Board
Policy and regulatory reform (inc. Cunliffe review)	A change in government strategic priorities for the water sector could result in abortive work or unrealistic/uncosted deliverables Cunliffe (IWC) review recommendations have the potential to impact strategic planning assumptions and deliverables	<ul style="list-style-type: none"> • Ongoing and focussed engagement with regulators (i.e. the Environment Agency, Ofwat, Defra, Water UK) • Strategic analysis of impact of regulatory changes • Successful PR29 Steering Group to adapt to moving goalposts • Horizon scanning of industry, regulatory and legal threat trends 	<p>Exec owner: Chief Financial Officer</p> <p>Governance:</p> <ul style="list-style-type: none"> • Portsmouth Water Exec Team • PR29 Steering Group • Portsmouth Water Board
Security and Emergency Measures Direction (SEMD) 2022 and Network and Information Systems (NIS) compliance	Poor personnel security controls, weak insider-threat management processes and inadequate preparedness for people-related security incidents could result in non-compliance with SEMD 2022 and NIS regulatory framework; leaving Portsmouth Water vulnerable to insider actions which could compromise critical water services, threaten national security and trigger regulatory enforcement	<ul style="list-style-type: none"> • Governance, policy and standard operating procedures • Alarm monitoring of key operational sites through telemetry • Penetrative (pen) IT and OT testing conducted by external parties • Mandatory employee training on security protection • Horizon scanning of industry and national security threat trends 	<p>Exec owner: Chief Operating Officer Chief Information Officer</p> <p>Governance:</p> <ul style="list-style-type: none"> • Protective Security Board • Risk Review Board • Portsmouth Water Exec Team • Havant Thicket Exec Team • Portsmouth Water Board

Principal risk	Risk exposure	Risk management	Governance and ownership
Significant cyber-attack	Portsmouth Water is exposed to a heightened risk of cyber-attack (such as ransomware, data compromise, critical services disruption) driven by the current threat landscape targeting UK critical national infrastructure. A successful attack could interrupt essential water supply operations, impact water quality, compromise customer or operational data, or impair our ability to monitor and control treatment and distribution assets. The risk is amplified by increasingly sophisticated threat actors, sector-wide supply chain vulnerabilities and our expanding digital footprint	<ul style="list-style-type: none"> Expert external and independent advisors to provide up-to-date industry best practice guidance and support Penetrative (pen) IT and OT testing conducted by external parties Cyber security strategy and programme covering risk management framework, vulnerability management and asset inventories across IT and OT External audits of cyber-attack prevention measures and systems Mandatory employee training on cyber protection 	<p>Exec owner: Chief Information Officer</p> <p>Governance:</p> <ul style="list-style-type: none"> Portsmouth Water Exec Team Protective Security Board IT Security and Resilience Programme Board Risk Review Board Portsmouth Water Board
Supply chain resilience (inc. geopolitical risks)	Degradation of supply chain resilience (including financial health) leading to impact of delivery of critical goods and services to Portsmouth Water, could impact upon its ability to provide services-as-usual to its customer base	<ul style="list-style-type: none"> Stock holding and stock supply level monitoring (especially from critical suppliers and materials) Robust contract management Supplier code of conduct Supplier qualification and due diligence Third-party supplier credit monitoring Strategic frameworks and long-term price agreements Procurement tool (Risk Ledger) to assess supplier risk 	<p>Exec owner: Chief Asset Officer</p> <p>Governance:</p> <ul style="list-style-type: none"> Energy Committee Supply Chain Programme Board Risk Review Board Audit and Risk Committee Portsmouth Water Board

Viability assessment and statement

1. Assessment process

Background information

The Company's business model and strategy are central to an understanding of its prospects. Further explanation of this is set out on pages 20 to 43. As a regulated, capital intensive, utility provider the nature of the Company's activities is long-term and, although subject to regulatory changes, the business model is generally stable.

The Company has completed the first year of the current 2025-30 five-year regulatory cycle (AMP8). Its strategy, budgets and cash flow projections are closely aligned to the Ofwat review cycle, making the agreed five-year regulatory business plan the primary driver of the Company's prospects. The plan sets out the allowed revenues, operating expenditure, capital expenditure and agreed business outcomes for the period. Forecasts for the core business have also been extended beyond 2030 to reflect the current estimate of the likely regulatory outcome for 2030-35 (AMP9).

The water industry in England and Wales is economically regulated rather than market-driven. Ofwat has a statutory duty to ensure water companies can finance the proper discharge of their statutory functions, including earning reasonable returns on capital. To fulfil this duty, Ofwat sets price controls for each five-year Asset Management Period (AMP) and applies mechanisms to reduce medium-term revenue volatility by adjusting future-allowed revenues for any over or under recovery against the original determination.

The Board continues to take a balanced approach to the Company's strategy. The Company's 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 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.

Assessment of the Company prospects

The Board recognises the viability assessment depends on forecasts which, by their nature, involve uncertainty. This is heightened by the evolving regulation of the water industry and the uncertain wider geopolitical and macroeconomic outlook.

Key elements of the forecasts prepared include:

a) Budget process

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

The forecasts prepared included:

- Detailed cost and revenues analysis by business function for the forthcoming (2026-27) financial year
- Longer-term analysis and plans to 31 March 2030 in line with the agreed 2025-30 business plan
- 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. 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 is a comparison of the projected total operating and capital expenditure ('Totex') against that set out in the Company's Ofwat agreed business plan for the period.

The current annual budget process for the 2026-27 financial year was completed and approved by the Board during January 2026. The key business assumptions included in this budget relate to:

- Successful completion of planned new equity and debt facility arrangements expected to be finalised in the 2026-27 year
- Levels and timing of capital spend relating to Havant Thicket Reservoir and other approved capital projects
- Levels of other capital and infrastructure renewals spend and related efficiency and cost-saving requirements
- Expected changes in inflation over the period (CPIH)
- Detailed headcount and resource planning to facilitate the ambitious capital programme requirement for 2025-30
- Expected interest rates and loan indexation rates impacting borrowing costs
- Levels of operating expenditure, performance against the 2025-30 requirements and targeted cost savings
- Levels of activity and costs related to delivering key performance commitment improvements
- There being no fundamental changes to the current Ofwat regulatory regime over the 2025-30 (AMP8) period.

Viability assessment and statement

b) Assessment period

The most appropriate period for the required viability assessment period is considered to be the period through 2025-30 (the current AMP8) and next 2030-35 (AMP9) business cycles, through to 2035. This best reflects the nature of the regulatory regime in which the Company operates and the management of the business as a consequence of this.

c) Risk assessment

The principal risks and uncertainties that impact the business and a formal annual review and assessment was completed and updated in March 2026. Details of the Board risk assessment process are set out on page 66.

The overall summary of the principal risks and uncertainties are set out in the risk table on pages 66 to 70. The purpose of the risk table is 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.

In setting out specific scenarios for the Viability Statement we have reviewed the risk register together with resilience modelling based on the 2025-30 business plan and expectations for the 2030-35 period.



2. Assessment of viability

Background information

In carrying out its review of future prospects, the Directors need to consider and perform two separate assessments:

- Shorter-term 'going concern' assessment
- Longer-term 'viability' assessment.

The going concern assessment is required as part of the formal approval process on the Company's annual financial statements. In particular, the Directors need to be satisfied that the Company will be able to continue in operational existence for a period of at least 12 months after the approval of the annual financial statements, and it is therefore appropriate to prepare the financial statements on a going concern basis. If there are any significant concerns or uncertainties, then these need to be clearly explained and highlighted in the financial statements themselves, or in certain circumstances, the financial statements should be prepared on a basis other than as a going concern. Further details of this are set out in Note 1 of the Financial Statements on page 156.

In performing the longer-term viability assessment, the assessment period needs to cover a period that is most appropriate to the Company, the nature of its business and the sector in which it operates. Given the long-term nature of the UK water industry and the life cycle of capital assets and related investments, this assessment period is significantly longer than the 12 months required for the going concern review. As noted above, a period of nine years, through to 2035, is considered most appropriate for the Company.

Base forecasts

As noted above, the normal Ofwat regulatory planning and annual budget processes are well established and considered an appropriate basis to produce the required forecasts used for the going concern and viability assessments. The forecasts include projections of operating profit, earnings before interest tax and depreciation (EBITDA), underlying cash flows and liquidity headroom, as well as the key financial ratios needed for banking covenants and the retention of an investment grade credit rating with Moody's, such as the level of regulatory gearing (RAR) as well as interest cover (ICR).

The Directors have prepared separate forecasts that cover the shorter going concern assessment, which are prepared on a detailed monthly analysis, and for the longer viability assessment, which are prepared on an annual basis.

Stress testing

The Directors have also 'stress tested' the potential impact on the Company of a number of scenarios, based on the levels of risks and uncertainties identified in the forecasts. This has been performed by quantifying the financial impact of the different scenarios and overlaying the financial outcomes from these on to the financial forecasts.

The 'stress testing' has included making changes to a number of the key business assumptions that are inherent in the preparation of the forecasts. These include:

- Changes in macro-economic conditions which have a direct impact on the business. These include market interest rates (SONIA) and key inflation measures (both RPI and CPIH), as well as cost inputs that are outside the control of management (such as commodity and energy base costs)
- Changes in the actual performance of the business, in particular cost overruns and delays in the delivery of key capital programmes, including the HTR project, as well as failure to achieve performance commitments set out in the 2025-30 business plan.

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 ultimately the discretion not to pay dividends.

Financial resilience

In recent years, the Directors have carried out certain actions aimed at increasing the financial resilience of the Company, so as to better manage the ongoing risks it faces. These have included:

- The set-up of specific 'swap' financial instruments so as to manage an element of the 'floating interest' risks on current and future RCF loan borrowings, the 'RPI-CPI' mismatch risk on the Artesian inflation-linked long-term loan and (new in March 2026), the risks of 'market rate' energy contracts
- Early engagement with shareholders and existing lenders relating to the increased funding that will be required in FY2028 to fund the planned capital expenditure programme, in particular the increased construction costs on the HTR project. These negotiations are progressing well, and the Directors are confident the additional funding arrangements will be finalised before the end of 2026.

3. Going concern statement

The results of the Directors' going concern assessment are set out on page 74.

As a result, the Directors consider that it is appropriate to prepare the Company's financial statements on the going concern basis, as detailed in the Basis of Preparation in Note 1 of the financial statements (see page 156).

4. Viability statement

The results of the Directors' viability assessment are set out on page 76.

Based on their assessment of the Company's prospects and viability, 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 through to 31 March 2035.

Bob Taylor
Chief Executive Officer
29 June 2026

Viability assessment and statement

Going concern assessment

The going concern assessment needs to cover a period through to at least a year after approval of the Company's annual financial statements. For the current assessment this is therefore the period through to 30 June 2027. The assessment carried out has been done as follows:

- Preparation of forecasts for the operations of the Company for the year ended 31 March 2027, based on the current budgets now agreed for this period. These budgets are in line with the 2025-30 business plan approved by Ofwat.
- For this 'base' forecast, calculations have been performed of the main Key Performance Indicator (KPIs) that are used in the management of the Company, including the KPIs monitored for compliance with the Company's lending requirements.
- Calculations have also been carried out of the available funding headroom, being the level of cash and undrawn borrowing facilities that are forecast to be available to the Company at the 31 March 2027. This review is based only on the existing borrowing facilities already in place, with no new facilities assumed to be established.
- The forecasts and calculations have then been extended to cover the three-month period through to 30 June 2027 (the end of the required going concern assessment period).

Downside scenario considerations

As set out above, the forecasts have been also updated for a number of downside scenarios that could apply over the going concern assessment period. These are considered to be 'reasonably possible' scenarios, based on the current macro-economic conditions and identified risks. The specific scenarios considered, with changes applied to the base forecast, are as follows:

1. Interest rates on market borrowings: +1% (reflecting potential increases to UK bank base rates)
2. CPIH inflation: +2% (reflecting potential higher inflation arising from global uncertainties)
3. Energy, key commodity and bad debt costs: +10% on energy and key commodities, +30% on bad debt expense (reflecting impact of ongoing risk of higher inflation on business-as-usual costs, arising from current global uncertainties)
4. ODI performance: Non-achievement of ODI targets resulting in reduced revenues impacting future periods
5. HTR construction and other capital project costs: +10% (reflecting risk of capital cost overruns in addition to existing project cost contingencies).

A combination of all of the above downside scenarios would be considered to be potential 'worst case / severe' position.

Management mitigations

Should one or a number of the above downside scenarios happen, in addition to a delay in the process of raising the equity and debt funding facilities that are expected, then management will be able to carry out a number of mitigation actions that would allow the reduction and slowdown in actual expenditure during the assessment period. The mitigation action that would have the most short-term impact would be the slowdown of actual expenditure on capital projects, including the construction of HTR. This is considered to be wholly under the control of management in the short term and therefore a reasonable mitigation action to consider. In the 'mitigated' forecasts, all capital expenditure has therefore been reduced from 1 January 2027 onwards by 50% from the base forecast levels.

KPI results

Set out below are the overall impact on the Company's KPI calculations for the year ended 31 March 2027 (FY2027), and a calculation of the expected funding headroom at 31 March 2027, and the funding headroom at 30 June 2027 (being the end of the going concern assessment period). Details on the KPIs and their calculation is set out in the Financial Commentary section on pages 56 to 65.

Scenarios	FY27 EBITDA £m	FY27 RAR bank gearing %	FY27 Base ICR	FY27 Adjusted ICR	31 Mar 2027 Funding headroom £m	30 Jun 2027 Funding headroom £m
Base forecast						
No mitigation	24.6	57.5%	2.35	1.45	59.7	23.5
Scenario 1:						
No mitigation	24.6	57.7%	2.26	1.45	58.9	22.3
Scenario 2:						
No mitigation	24.6	57.4%	2.12	1.45	57.7	21.0
Scenario 3:						
No mitigation	23.9	57.7%	2.31	1.45	59.0	22.6
Scenario 4:						
No mitigation	24.6	57.5%	2.35	1.45	59.7	23.6
Scenario 5:						
No mitigation	24.6	60.1%	2.31	1.45	41.7	0.5
Combined 'worst case'						
No mitigation	23.9	60.1%	1.98	1.45	38.2	(4.2)
With mitigation	23.9	55.1%	1.99	1.45	74.3	59.4

Viability assessment and statement

Viability assessment

The most appropriate period for the Company's longer-term viability assessment is the period through to 31 March 2035, being the end of the next regulatory period (2030-35). The assessment carried out has been done as follows:

- Preparation of detailed forecasts for the operations of the company for the remainder of the 2025-30 period, through to 31 March 2030. These are based on the current detailed budget in place for the year through to 31 March 2027, along with the forecasts for the remainder of the 2025-30 period, in line with the 2025-30 business plan approved by Ofwat.
- Extension of the current 2025-30 five-year regulatory period through the following 2030-35 five-year period to 2035. The detailed business plan for this 2030-35 period has still to be agreed with Ofwat (or the UK water industry regulator) but is based on the expected extension of the current 2025-30 activities, including the expected completion and operating commencement of the HTR asset, with similar assumptions relating to the allowed regulatory returns, levels of revenues from customers and underlying costs of operations.
- New equity and debt funding facilities are expected to be agreed and in place before the end of 2026. The forecasts assume these negotiations will be completed in this period and the new funding assumed is in line with the levels currently under review and consideration by Ancala and other third-party fund providers.
- For this 'base' forecast, calculations have been performed of the main Key Performance Indicator (KPIs) that are used in the management of the Company, including the KPIs monitored for compliance with the Company's lending requirements.
- Calculations have also been carried out of the available funding headroom, being the level of cash and undrawn borrowing facilities that are forecast to be available to the Company through 2025-30 to 31 March 2030 and through the 2030-35 period to 31 March 2035. This review is based on the expected agreed levels of new equity and borrowing facilities.

Downside scenario considerations

As set out above, the forecasts have also been updated for a number of downside scenarios that could apply over the viability assessment period. These are considered to be reasonably possible scenarios, based on the current macro-economic conditions and identified risks. The specific scenarios considered, with changes applied to the base forecast, are as follows:

1. Interest rates on market rate borrowings: +1% (reflecting potential increases to UK bank base rates)
2. CPIH inflation: +1% (reflecting potential higher long-term inflation)
3. Energy, key commodity and bad debt costs: +10% on energy & key commodities, +30% on bad debt expense (reflecting impact of ongoing risk of higher inflation on business-as-usual costs, arising from current global uncertainties)
4. ODI performance: non-achievement of ODI targets resulting in reduced revenues in future periods
5. HTR construction and other capital project costs: +10% (reflecting risk of capital cost overruns in addition to existing project cost contingencies).

A combination of all of the above downside scenarios would be considered to be a potential 'worst case / severe' position.

Management mitigations

Should one or a number of the above downside scenarios happen, then management will be able to carry out a number of mitigation actions, that would allow the reduction and slowdown in actual expenditure during the assessment period. The following have been considered as specific mitigation actions to be carried out in a response to one or more of the above downside scenarios taking place, should there be inadequate funding balances in place:

- Suspension of all planned dividend payments from the Company, with effect from FY2028
- Slow down of actual capital expenditure plans on all capital projects, including HTR, reducing capital expenditure currently forecast by 25%, potentially from 1 January 2027.

KPI results

Set out below are the overall impact on the Company's KPI calculations for the period ended 31 March 2030 (AMP8 end) and 31 March 2035 (AMP9 end), including a calculation of the expected funding headroom. Details on the KPIs and their calculation are set out in the Financial Commentary section on pages 56 to 65.

Scenarios	FY30 EBITDA £m	FY30 RAR bank gearing %	FY30 Base ICR	FY30 Adjusted ICR	31 Mar 30 Funding headroom £m	FY35 EBITDA £m	FY35 RAR bank gearing %	FY35 Base ICR	FY35 Adjusted ICR	31Mar35 Funding headroom £m
Base forecast										
No mitigation	33.3	64.1%	2.29	1.45	119.7	42.9	58.8%	2.10	1.45	115.7
Scenario 1: No mitigation	33.3	64.6%	2.09	1.45	114.1	44.3	58.9%	1.95	1.45	95.7
Scenario 2: No mitigation	33.3	61.7%	2.30	1.45	118.7	43.8	60.0%	1.90	1.45	41.1
Scenario 3: No mitigation	32.5	64.3%	2.26	1.45	117.7	41.9	59.3%	2.05	1.45	101.2
Scenario 4: No mitigation	30.5	64.4%	2.20	1.45	116.1	41.2	59.1%	2.05	1.45	109.1
Scenario 5: No mitigation	33.3	69.4%	2.08	1.45	50.4	43.9	64.2%	1.81	1.45	NIL
Combined 'worst case'										
No mitigation	29.7	67.7%	1.82	1.45	35.7	43.5	67.0%	1.46	1.45	NIL
With mitigation (Note 1)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Note 2

Note 1. Forecasts for the 2025-30 period to 31 March 2030 indicate the Company will be compliant with all key metrics, including appropriate levels of funding headroom, even under the combined 'worst-case' scenario assessment. Accordingly no mitigation analysis is set out in the table above.

Note 2. Forecasts for the 2030-35 period to 31 March 2035 indicate the Company will be compliant with all key metrics even under the 'worst-case' scenario assessment. Under Scenario 5 and the combined 'worst-case' scenario assessment, additional sources of reserve funding would be required. Based on current discussions with shareholders and other third parties, it is expected that appropriate reserve funding will be in place for the 2030-35 period.

05

Governance



Chair's introduction

The Board remains committed to upholding the highest standards of corporate governance, taking guidance from the UK Corporate Governance Code and Ofwat's Board leadership, transparency and governance principles.

Throughout the year, the Board has remained focused on ensuring our governance framework and arrangements support the long-term resilience of the business; remaining robust, proportionate and aligned to both regulatory expectations and emerging best practice.

This includes overseeing how we manage risk, invest responsibly in our assets and respond to the challenges of climate change, population growth and regulatory expectations. Our approach is rooted in delivering sustainable outcomes which balance affordability for customers with the protection of the environment for future generations.

The Board is supported by its committees – Audit and Risk, Environmental, Social and Governance, Havant Thicket Reservoir Steering, Nomination and Remuneration – which provide robust oversight across key areas of governance, enabling the Board to discharge its responsibilities effectively.

Together, they ensure we maintain a strong system of internal control, uphold high standards of integrity and accountability and align executive performance and pay with delivery of the outcomes which matter most to our customers and stakeholders.

Maintaining trust is fundamental to our role. Through effective governance, we aim to demonstrate that Portsmouth Water is a responsible and resilient business – one committed to serving customers, protecting the environment and delivering long-term value in line with our public interest obligations.

The Board remains confident the arrangements described in this Governance section provide a strong foundation for delivering on these commitments.



Board of directors

Independent Non-Executive Directors



Christopher Deacon
Independent Chair
MA

Appointed 01 May 2020

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



Dr Lara Stoimenova
Senior Independent Non-Executive Director
BSc, PhD, FCA, MA

Appointed 17 January 2022

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



Sharon Darcy
Independent Non-Executive Director
BA (Hons), IPFA

Appointed 16 October 2023

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

Shareholder Nominated Non-Executive Director



Christopher Loughlin
Investor Representative
BSc, MICE, CEng, MBA

Appointed 01 April 2021

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

Executive Directors



Colin Robert Taylor
Chief Executive Officer
BSc, MSc, MBA, CEng, FICE

Appointed 01 November 2018

With more than 43 years' experience in the water industry, Bob has held a range of senior roles including Operations Director (Drinking Water Services) at South West Water and Managing Director/Director of Operations at Bournemouth Water. Prior to this he was the Business Development Director with Singaporean group Sembcorp responsible for development of the municipal water and wastewater business (with specific focus on the Middle East, South America and India). Bob is currently a Director and Chair of Finance Committee at Water UK, past president of the Institute of Water, and a Director of UKWIR. He is a chartered civil engineer and fellow of the Institution of Civil Engineers.



John Christopher Milner
Chief Financial Officer
ACMA, CGMA

Appointed 01 October 2021

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

Board of directors

Meetings and attendance

The following table summarises the number of Board and Committee meetings held during the year and the attendance record at those meetings.

Director	Board Meeting	Audit and Risk Committee	ESG Committee	Havant Thicket Reservoir Steering Committee	Nomination Committee	Remuneration Committee
Independent Chair Christopher Deacon	8/8	–	–	13/13	2/2	5/5
Senior Independent Non-Executive Director Dr Lara Stoimenova	8/8	5/5	–	-	2/2	5/5
Independent Non-Executive Director Sharon Darcy	8/8	5/5	4/4	-	2/2	5/5
Shareholder Nominated Non-Executive Director Christopher Loughlin	8/8	–	–	11/13	2/2	–
Chief Executive Officer Bob Taylor	8/8	–	–	12/13	2/2	–
Chief Financial Officer Chris Milner	8/8	–	4/4	13/13	–	–

Under the terms of its licence, the Board is required to comply with Ofwat’s Board Leadership Transparency and Governance guidance and, as a matter of best practice, is also guided by the principles and provisions of the UK Corporate Governance Code 2024 (“UKCGC”).

Ofwat’s Objective	How we meet the objectives	Read more
Purpose, values and culture The Board of the Appointee establishes the company’s purpose, strategy and values and is satisfied that these and the culture reflect the needs of all those it serves. (UKCGC Principles B, C, D, E)	<ul style="list-style-type: none"> 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. We review our company culture via our employee ‘Your Say’ annual survey and historic trends. Our Board-approved whistleblowing ‘Speak-up’ policy provides guidance to our people on how to raise matters of concern and is supported by an independent reporting tool. We consider metrics on customer engagement, satisfaction and vulnerability. Our Independent Challenge Group (ICG) has been revitalised and renamed (2025: Customer Scrutiny Panel) providing the business with an essential voice for a wide range of stakeholders. Our vision, against the backdrop of climate change and population growth, is to provide an affordable, reliable and sustainable supply of high-quality water for our customers. By being smart in our approach, we will work with our local communities to meet our goals, while protecting and enhancing the environment for generations to come. Our business plan, long-term water resources plan and our long-term strategy are all designed to deliver on our vision and priorities for the next 25 years. 	Our purpose on page 22 Our culture on page 22 Our ICG on page 49 Our vision on page 22 Our strategy on page 24

Ofwat’s Objective	How we meet the objectives	Read more
Standalone regulated company The Appointee has an effective Board with full responsibility for all aspects of the Appointee’s business for the long term (UKCGC Principles A, B, D, F, I, K)	<ul style="list-style-type: none"> The Board is ultimately responsible for the Company’s business and for setting its strategy, purpose, values, culture and standards of behaviour; taking account of both long and short-term interests. The Board determines the Company’s overall strategic direction, supported by its committees, which undertake detailed background work and provide recommendations to inform Board decisions. The Chair leads the Board and is responsible for its overall effectiveness; with clear separation in roles and duties from that of the Chief Executive Officer. Principal risks to the future success of the business are considered by the Board and supported by the new risk governance framework. Stakeholder interests are taken on board through a shareholder-appointed Non-Executive Director. The Company Secretary supports the Board in exercising its fiduciary duties through the effective management of policies, information, time and resources. 	Our Board on page 82 Principal risks on page 66
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 (UKCGC Principles M, N, O, P, Q, R)	<ul style="list-style-type: none"> 2026 sees Portsmouth Water deliver its first standalone Sustainability Report, supported by its ESG Committee, to evidence this strategic priority of our people, communities and environment. Our company annual bonus scheme and Executive Team bonus and long-term incentive plans (LTIP) incorporate sustainability measures to ensure our people are rewarded for supporting and delivering for our customers, communities and environment. Delivery against our performance commitments is subject to rigorous internal challenge and external assurance, with oversight from the Audit and Risk Committee – assurance is provided externally through separate financial and non-financial audit firms. At each meeting of the Audit and Risk Committee and Board, the principal risks to the business are reviewed and debated; supported by the Risk Review Board and Company Secretary. Our ownership structure is transparently reported within Company annual reports and accounts. The dividend policy, approved by the Board, and based on regulatory guidelines, is detailed within the strategic report of our Company Annual Performance Reports and Accounts. 	Our Sustainability Report is on page 46 Our Remuneration Report on page 114 Our Audit and Risk Committee on page 108 Our Principal Risks on page 66 Our structure on page 17 Our dividend policy on page 88
Board structure and effectiveness The Board of the Appointee and its committees are competent, well run and have sufficient independent membership, ensuring they can make high-quality decisions that address diverse customer and stakeholder needs (UKCGC Principles C, D, F, G, H, J, K, L)	<ul style="list-style-type: none"> The make-up of our Board consists of three independent directors (including the Chair and Senior Independent Director) and three non-independent directors (including Executive Directors and an investor-appointed Non-Executive Director); all of whom are supported by our Company Secretary. The terms of reference for each of our Committees are reviewed annually by the Company Secretary and approved by the Board. The Nomination Committee ensures appointments to the Board are subject to a formal, rigorous and transparent procedure (as from 1 April 2026 aligned with Ofwat’s new Fitness and Propriety Rule) and maintains succession plans accordingly. The Board considers the future viability of the company, including its future position and prospects, for disclosure for stakeholders information. The Board and Committees are evaluated annually to review their effectiveness, developing action plans for areas which require improvement or new focus; as well as time commitment and effectiveness of Non-Executive Directors. New directors receive an induction programme to the business and wider water industry to ensure they are able to support the Board in delivering against its short and long-term strategic objectives. 	Our Board on page 82 Our Committees on pages 108 Our Nomination Committee on page 110 Our 2026 Board performance review on page 87 Financial commentary on pages 56 to 65

For the year ended 31 March 2026, the Company has complied with the principles and provisions of the UK Corporate Governance Code 2024, with the exception of Provision 5, relating to workforce engagement.

Board of directors

Consistent with Section 172 of the Companies Act 2006, the Board of Directors consider, both individually and collectively, that they have acted in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (this is set out in more detail on page 106). The Board comprises a mix of skilled individuals with relevant experience and appropriate qualifications, acting within a framework designed to meet appropriate levels of governance, and promotes the overall success of the business for its investors and range of stakeholders.

The roles of the Chair and CEO are separate, operating with clear divisions of responsibilities. The Chair is responsible for leading the Board and ensuring its effectiveness; facilitating the contribution of the Non-Executive Directors and the relationship between them and the Executive Directors. He is independent of both management and the investors.

The Board operates under a formal schedule of matters reserved for its decision and delegates detailed consideration of specific matters to its Committees; including the Audit and Risk, ESG, Havant Thicket Reservoir Steering, Nomination and Remuneration Committees. Each Committee reports directly to the Portsmouth Water Board, which retains responsibility for final decision making. The Board is satisfied the reserved matters are appropriate for a regulated business and maintains a clear focus on key activities, within an established framework of delegated authorities.

The range of matters delegated to the Board's Committees is set out on pages 108 to 143.

The Terms of Reference of each of the Committees are reviewed annually by the Company Secretary and approved by the Board. The Havant Thicket Reservoir project is viewed as such a significant project that it operates with its own designated Board Sub-Committee, to ensure the highest standards of governance are maintained as the project progresses.

Information is provided to the Board in a timely manner to ensure Directors are fully briefed on matters for consideration at each meeting, as well as the general day-to-day operations of the business (via monthly performance

reporting). Directors may request any additional information they consider necessary. Under the leadership of the Chair, matters are discussed openly, with regular presentations and advice from senior management. Non-Executive Directors provide constructive challenge and hold Executive Directors and the senior leadership team to account.

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

The Board understands the importance of ensuring whistleblowers receive the prominence and protection they deserve. The Company's Whistleblowing policy was substantially updated during the prior year, accompanied by an independent whistleblowing hotline, which the Board continues to believe adds an impartial channel for those wishing to raise concerns confidentially. The option also remains for whistleblowers to go directly to the Chair of the Audit and Risk Committee should they wish. There were three reported whistleblowing cases during the year; two of which were investigated and resolved, with one investigation continuing into the new financial year.

Board performance review

The annual Board performance review was conducted by the Company Secretary via a confidential online questionnaire, supported by one-to-one meetings at Directors' discretion. The results, year-on-year scoring comparison and proposed actions were collated and summarised by the Company Secretary, with the Chair leading a discussion at a meeting of the Board.

The questionnaire evolved on the prior year with the introduction of questions related to the ESG Committee, Havant Thicket Reservoir Steering Committee, Havant Thicket Reservoir project and culture, values and behaviours.

The outcome of the review indicated the Board demonstrates strong governance in key areas (such as strategy, cohesive leadership and effective financial oversight); however it faces challenges in risk culture, board meeting efficiency and succession planning. Implementing the resulting actions aims to strengthen governance, improve resilience, and position the organisation for sustainable success, which will be managed by the Company Secretary through the Board and its sub-committees as appropriate.

Actions from the prior year's performance review saw four out of five actions completed, focussing on risk management and post project reviews. The action on succession planning was not built upon sufficiently, which was reflected in the subsequent survey results. Actions taken forward from the new review surround reviewing performance relative to other water companies, shortening meeting packs by introducing a reading room facility for information papers, addressing the bandwidth of the Audit and Risk Committee by increasing meeting durations throughout the year, including greater analysis of new, or changing, principal risks from the new ERM system, ensuring regular reporting on succession planning and talent pipeline development and Havant Thicket Reservoir Steering Committee reports to the Board.

Dividend policy

Annual Performance Report dividend disclosures

Condition P of our licence requires that dividends should only be declared or paid in accordance with a dividend policy which has been approved by the Board and which complies with the following principles:

- 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
- Dividends declared or paid take account of service delivery for customers and the environment over time, including performance levels and other obligations
- Dividends declared or paid reward efficiency and the effective management of risks to the appointed business.

We describe below the dividend policy approved by the Board for 2025-30, how this meets Ofwat's expectations and how the policy has been implemented in relation to dividends declared in respect of 2025-26 performance.

Dividends paid in the year (in respect of 2024-25 performance) reflect the published dividend policy for 2020-25, which is set out in the 2024-25 Annual Performance Report. The principal change in the policy is in the base level of dividend, which was 4% for the previous period, in line with Ofwat's PR19 guidance.

Dividend policy

As part of our PR24 business plan we set out our proposed dividend policy for 2025-30 (AMP8), which Ofwat provided feedback on as part of the draft determination. We have updated our dividend policy for 2025-30, including reflecting Ofwat's feedback.

Ofwat's PR24 guidance recognised the need for the sector to raise significant new equity in 2025-30 and recognised a dividend yield of 4% was appropriate for a company whose in-the-round performance aligns with the final determination. However, it noted it would expect some companies to adopt lower dividend yields where financial resilience is at risk and the provision of new equity investment needs to be made through retained earnings.

During 2025-30 Portsmouth Water will need to raise significant new equity to finance the step change in the investment of the core business and to fund construction of Havant Thicket Reservoir. In recognition of this, we amended our dividend policy to reduce the base dividend yield to 2% of regulated equity as part of our PR24 business plan. This will be kept under review to 2030, to make sure we take account of the funding requirements of the reservoir and the wider business.

In addition to the base dividend, in assessing our proposed dividend the Board considers the following factors:

- a) Delivery of performance commitments to customers and stakeholders over a rolling three-year period. This includes:
 1. Customer Service: C-MeX, D-MeX, written complaints.
 2. Other performance commitments, with greatest weight given to those of most importance to customers – leakage, interruptions to supply
 3. Employees: Health and 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
- d) Compliance with regulatory requirements, in particular Licence Condition P and Licence Condition F.

In considering these factors the Board is confident 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 our performance commitments (factor (a)), its investment plans and cost efficiency (factor (b)) and other areas of its operations (factors (c) and (d)).

In accordance with the policy a base dividend is calculated as 2% of the equity component of the average regulatory capital value (RCV) for the financial period:

- We calculate our base dividend based on the notional company to align to the risk and reward assumptions at PR24. We base distributions on the notional company structure to reduce volatility due to the timing of deployment on new equity through 2020-25 and to create clarity for investors
- We monitor the dividend yield in line with the calculation methodology in the Annual Performance Report, which reflects dividend yield on the actual company equity component to make sure we remain in line with PR24 guidance and Ofwat expectations.

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 PR24 dividend guidance
- The dividend is reduced in the event of net financial penalties relating to in-period Outcome Delivery Incentives (ODIs) following publication of Ofwat's final determination of in-period ODIs (published in November following the end of the financial year).

Dividend decisions are not mechanistic and the Board will consider any required further reduction to the dividend payable where:

- The Company's performance over a rolling three-year period 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 PR24 final determination
- Regulatory gearing is higher than the guidance provided by Ofwat on the PR24 price review
- Financeability tests on medium-term liquidity and financial viability testing give rise to concerns about long-term financial resilience
- Any abnormal conditions were experienced, such as exceptionally high inflationary increases in the RCV
- There is non-compliance with regulatory licence conditions, including Licence 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 ODIs, 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 2025-30 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 2024-25 performance)

The dividend paid in the financial year 2025-26 relates to performance in 2024-25. This dividend reflects the dividend policy for 2020-25, which is based on a base dividend yield of 4%, in line with Ofwat's PR19 guidance for 2020-25. The full dividend policy applicable to 2020-25 is set out in last year's Annual Performance Report.

The Directors declared a dividend of £2.894 million in last year's accounts. This was paid in July 2025. In making this recommendation the Directors carefully considered the relevant factors and believed a 4% dividend yield was appropriate, given the significant RCV growth in 2020-25 was supported by new shareholder equity of £170 million.

No interim dividend relating to financial year 2024-25 was paid in year. Calculation of the dividend is set out in the tables on pages 93 to 97.

Performance for customers 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.

In deciding to pay a dividend the Board was satisfied 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 in 2024-25, it remained in the upper quartile of companies. This was despite the migration of customers to our new billing platform and the beginning of our engagement with customers on their new smart water meters. Both activities generated additional customer contact, so retaining our upper quartile position was a significant achievement.

The number of complaints per 10,000 connections remained 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 during 2024-25, back to the upper quartile of companies.

Customer interruptions were the lowest in the industry, with our 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 were met, along with delivery on our community commitments supporting local STEM fairs, single use plastic campaigns and engagement on Havant Thicket Reservoir.

The Ofwat leakage target was not met again in 2024-25 – for the third successive year. Given the importance of this measure, the Board considered whether our leakage performance warranted 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 was not met, we sustained significant reductions in leakage in 2023-24 (12% reduction). Given these reductions and the fact that not meeting the target had no direct impact on customers the Board concluded no additional dividend adjustment was appropriate.

The Board takes a wider assessment of performance and considers health and safety employee wellbeing and community focus as indicators of social responsibility.

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

The Board takes a wider assessment of performance and considers matters such as health and safety and employee welfare, including pensions provision.

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

The legacy-defined benefit pension scheme remains in surplus and has been closed to future accrual. All our employees have transferred to the defined-benefits scheme and employer contributions have been increased to a

maximum of 15% for all employees. Overall ODI performance over the last three years of 2020-2025 remained strong with more than 70% of performance commitments being met. Per capita consumption remained above the ODI target, as it was impacted by increased consumption during the Covid-19 pandemic and it has remained above target. The smart water meter programme in 2025-30 is key to unlocking reductions to consumption in future.

Financial resilience over the longer term

Our totex performance was considered in approving the dividend declaration. During 2020-25, totex remained below the PR19 final determination cost allowance. An underspend in earlier years, partly related to the impact of Covid-19 pandemic on capital investment, was offset by higher spend at the end of the five-year period.

Underlying regulatory gearing was 33%, after taking account of the Havant Thicket Reservoir Cost Adjustment Mechanism increase to totex. It was within the limits set in the Gearing Outperformance Sharing Mechanism.

The Board considered whether the dividend paid in respect of 2024-25 should be adjusted to reflect the projected level of RCV growth in 2025-30. A significant proportion of this RCV growth will result from the expanded scope of the Havant Thicket Reservoir programme to incorporate the alignment works associated with Southern Water's proposed recycling plant, as well as the impact of ground conditions on the project costs.

These changes are subject to a second Cost Adjustment Mechanism process this year and any additional funding requirements, including the need for additional equity, will be considered as part of that process. The Board was satisfied that, based on the 2020-25 project scope, appropriate funding and facilities were in place to support delivery of the scheme following the successful financing exercise conducted in 2022-23.

The Board was satisfied, on the basis of the financial viability assessment conducted for the 2024-25 annual report, that the company had in place a resilient financial structure, a good, quantified understanding of the risks it faced 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 was satisfied there were no compliance issues which would impact the payment of any dividend.

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 and safety	RoSPA accreditation	✓	✓	✓
Pensions	Scheme in surplus	✓	✓	✓
ODI	Overall ODIs achieved	19/26	20/26	20/26

Dividend policy

Adjustment to dividend paid

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

- The base dividend was reduced by £1.161 million for intercompany interest and £1.295 million 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 2020-25 were £0.949 million; an increase to base dividend for £0.949 million has been applied to offset the net penalty for 2023-24
- The Board has not recommended any adjustment to dividends 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 believes it is 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 makes sure investors are sighted to changes to earnings and these can be reflected in forward planning.

The calculation of dividends is not mechanistic and considers wider performance. No other adjustments to reflect performance in the round were applied in 2024-25, reflecting the analysis of overall performance and financial resilience set out above.

Dividend yield and distributable reserves

Regulatory gearing and calculated dividend yield for 2024-25, as reported in Table 4H, is 48% and 0.9% respectively, based on the PR24 final determination and including the uplift to the RCV associated with the Cost Adjustment Mechanism for Havant Thicket Reservoir concluded in January 2023.

An analysis of the impact of the dividend paid in 2025-26 on the distributable reserves for the Company is provided in the Financial section on pages 58 to 65. The impact on total shareholder equity is shown in the Statement of changes in equity on page 153.

Dividend workings for 2024-25 (paid in year)

Dividend calculations		2024-25
	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
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	Five-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
	Final dividend - Return on Regulated Equity	£2.894m
	Final dividend - Recirculating dividend	£0.000m
	Final dividend (paid in following year)	£2.894m

Dividend yield calculations		2024-25
	Dividend paid in year	£2.894m
	Closing RCV - Water resources	£14.947m
	Closing RCV - Water network+	£244.347m
	Closing RCV - Havant Thicket Reservoir	£382.366m
	Closing RCV - Total	£641.660m
	Actual gearing	47.8%
	Net debt	£306.885m
	Actual equity	£334.775m
	Actual yield	0.9%

Dividend policy

Dividend declared for 2025-26 (to be paid in July 2026)

The Board has declared a dividend relating to performance in 2025-26 of £3.045 million. No interim dividend relating to financial year 2025-26 was paid in year so the full amount is expected to be paid in July 2026.

In making this dividend recommendation the Directors have carefully considered the relevant factors and believe a 2% base dividend yield is appropriate, aligned with our PR24 updated dividend policy. Calculation of the dividend is set out in the table on page 97.

Performance for customers 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.

Performance	Measure	2023-24	2024-25	2025-26
Customer service	C-MeX rank	1st	4th	2nd
Developer service	D-MeX rank	9th	1st	2nd
Written complaints	Complaints per 10,000 connections	✓	✓	✓
Leakage	ODI target	✗	✗	✗
Interruptions to supply	ODI target	✓	✓	✓
Vulnerable customers	Social tariff	✓	✓	✓
Environmental	Discharge compliance / serious pollution	✓	✓	✓
Carbon reduction	ODI target	✓	✓	✗
Health and safety	RoSPA accreditation	✓	✓	✓
Pensions	Scheme in surplus	✓	✓	✓
ODI	Overall ODIs achieved	20/26	20/26	10/15

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

Customer experience for households, as measured by C-MeX, was the second best in the sector in 2025-26. For the previous two years it was upper quartile, being 4th (2024-25) and 1st (2023-24).

The number of complaints reduced in 2025-26 and has been consistently among the lowest in the sector per 10,000 connections.

Our ranking on the D-MeX measure of service to developers improved from 9th to 1st last year and our upper quartile performance has been maintained in 2025-26, with 2nd place. We are also ranked first on the new BR-MeX metric, which measures service provided to business customers and retailers.

Customer interruptions have increased during the year but remain below Ofwat's target of five minutes. Our performance in this area over the previous two years was industry-leading, with performance in 2023-24 being the best ever.

Water quality performance has been maintained in the year with our performance against the Drinking Water Inspectorate's Compliance Risk Index maintained at 0.45. This followed a spike in 2023-24 caused by sample line failures at one of our largest treatment works, which did not impact customers. The level of customer contacts about water quality did rise in the year. However, we do not believe this is related to our activities but instead reflects a growing mistrust of water companies more broadly.

Environmental performance is taken account of, including our discharge consent compliance and serious pollution incidents, which are new performance commitments for 2025-30. In each of the last three years we have achieved 100% compliance with our discharge permits and have had no serious pollution incidents.

Our leakage performance remains above our target level and has been above target each year since 2022-23. We have put considerable effort into improving our understanding of leakage over the last two years and Ofwat agreed in 2026 to a rebasing of our targets to reflect improvements in our assessment methodology. As well as improving the robustness of the reported leakage number, this new methodology will enable us to better track and detect leakage. We expect performance to be back on target by 2030.

The Board recognises the importance of leakage to customers and the persistence of our failure to meet our target. It therefore considered how this should be reflected in the dividends declared. The Board notes the failure to meet our leakage target in 2025-26 will incur a material ODI penalty of £1.4 million, therefore our dividend policy will automatically reduce dividends by this amount. Taking account of the size of the ODI penalty, the fact that leakage is measured as a three-year average, so is very difficult to address in a single year, and the progress made in improving the reporting and monitoring methodology, the Board did not feel a further adjustment to dividends was appropriate at

this stage given the expected trajectory of leakage to 2030.

The Board takes a wider assessment of performance and considers health and safety, employee wellbeing and community focus as indicators of social responsibility.

As part of our commitment to employee wellbeing, we introduced a number of initiatives over the last year including launching a People and Culture Group, providing mental health awareness training and menopause awareness training to our people managers, as well as launching a Hormone Health policy. As part of our commitment to the wider community, we were proud to sponsor the Portsmouth Pride event. We also officially signed the Armed Forces covenant, underlining our support for veterans in our community.

The legacy defined benefit pension scheme remains in surplus and 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. There have been no RIDDOR reportable incidents among our direct workforce for three years and only one RIDDOR in our supply chain. There have been no lost-time injuries for three years.

Overall ODI performance remains strong. In the last two years of 2020-2025 we met at least 70% of our 26 performance commitments. From 2025-26 the number of performance commitments has reduced from 26 to 15. In 2025-26 we met 10 out of these 15 commitments. We did not meet targets for leakage and water quality contacts, as discussed above. We also failed to meet targets for Per Capita Consumption (PCC), carbon emissions and business demand. The business demand and carbon targets were missed by small margins in 2025-26. These are both new performance commitments from 2025 and good progress has been made in both areas.

Per Capita Consumption remains a key strategic challenge for the business with our PCC being among the highest in the sector. The smart water meter programme is key to unlocking consumption reduction and the Board notes good progress has been made in the year, with 15,095 new smart water meters installed compared with a target of 3,200. Acceleration of the metering programme from a target of 172,000 installations by 2030 to 250,000 has been approved by the Board, subject to agreeing funding with Ofwat.

The Board has also considered our performance against Ofwat's Price Control Deliverables (PCDs). PCDs provide assurance to customers we are delivering the investment they have paid for. For 2025-26 we are ahead of our PCD targets for metering and mains replacement. We have reprofiled some investment to ensure we can manage operational risks and, as a result of third-party factors, we have assessed two schemes as amber (Security and Emergency Measures (SEMD) and cyber resilience). We have mitigations in place to recover these schemes and no PCDs are classified as red in our Delivery Plan – indicating a risk to their delivery.

Dividend policy

Financial resilience over the longer term

Totex performance has been considered during the approval of the dividend declaration. During 2025-30, totex is forecast to remain below the PR24 final determination cost allowance and wholesale expenditure for the previous regulatory period was in line with Ofwat allowances. Regulatory gearing was 48%, below Ofwat's PR24 assumption of 55%.

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 10 years (see pages 71 to 77). 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 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 there are no compliance issues which would impact the payment of any dividend.

Adjustment to dividend declared

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

- The base dividend was reduced by £1.5 million for intercompany interest and £1.7 million in relation to ODI performance following confirmation of the net penalty in Ofwat's final determination of ODIs for 2024-25, published as part of the PR24 final determination
- The Board has not recommended any adjustment to the dividend at this stage in relation to 2025-26 performance but noted that we expect to apply an adjustment to reflect a net ODI penalty for 2025-26 performance in 2026-27, in line with the associated adjustment to allowed revenues
- The Board believes it appropriate to apply adjustments to dividends in the year which penalties are reflected in customer charges. This ensures dividends reflect performance for the customer and environment but also makes sure investors are sighted to changes to earnings and they can be reflected in forward planning
- We anticipate the net adjustment to 2026-27 dividends will be a reduction of £0.5 million, reflecting ODI penalties incurred for 2025-26.

The calculation of dividends is not mechanistic and considers wider performance. No other adjustments to reflect performance in the round were applied in 2025-26, reflecting the analysis of overall performance and financial resilience set out above.

ODI reward / penalty		2025-26
	ODI reward brought forward	£0.000m
	Indexation	£0.000m
	Ofwat ODI final determination (November in following year)	(£1.742m)
	Penalty adjustment to dividends	£1.742m
	Reward adjustment to dividends	£0.000m
	ODI reward carried forward	£0.000m

Dividend calculations		2025-26
	Total: Average total RCV (year average) - nominal (year average prices)	£596.897m
	Regulatory equity actual (PR24 policy)	53%
	Regulatory equity actual (PR24 policy)	£314.363m
	Dividend yield (per dividend policy)	2%
	Base dividend - Return on Regulated Equity	£6.287m
Less	Adjustment for intercompany interest payable to holding companies	(£1.500m)
Less	Adjustment for in period Outcome Delivery Incentive penalties	(£1.742m)
Add	Adjustment for other factors – in-the-round performance and financial resilience	£0.000m
Other	Performance against commitments to customers and stakeholders	
Other	Financial performance supports dividend payment	
Other	Five-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	£3.045m
	Final dividend - Return on Regulated Equity	£3.045m
	Final dividend - Recirculating dividend	£1.500m
	Final dividend (paid in following year)	£4.545m

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 the 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 12-month period ending on 31 March in each charging year; which are in accordance with the Regulatory Accounting Guidelines
- (c) comply with all other requirements set out in the Regulatory Accounting Guidelines.

We confirm that to the best of our knowledge 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:

- As far as they are aware, there is no relevant information of which the Company's auditors are unaware
- They have taken all steps 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.

Ring fencing certificate

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 12 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 12 months
- (c) The company has available to it sufficient rights and resources, other than financial resources, so that if, at any time, a special administration order were made in relation to it, 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 it is able to carry out the regulated activities.

The Licence Condition P certificate has been subject to assurance by our auditors KPMG.

In providing this ring-fencing certificate, the Board has considered 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 they have considered in the following.

Financial resources and facilities

Factors	Summary of Board considerations
Financial position	<p>Detailed review and consideration of the year-end financial statements with particular attention to available cash and short-term facilities.</p> <p>Ongoing monitoring of the funding requirements associated with the construction of Havant Thicket Reservoir, including the requirements around the new debt and equity financing to support the project.</p> <p>Consideration of Moody's credit rating and ratings assessments.</p> <p>Consideration of the Company's 'Investor Report' including forecast headroom in relation to key financial ratios.</p> <p>Challenge and review of budgets and available headroom, for both the next 12 months and full 2025-30 period, prior to Board approval.</p>
Performance against the PR24 business plan and final determination	<p>Board reporting of key final determination delivery metrics, including Outcome Delivery Incentives, Price Control Deliverables and Totex outturn. Review of RORE outcomes.</p> <p>Deep dives in areas where business performance has fallen below targets, such as leakage, where the Board has considered the Company's recovery plan.</p> <p>Board members' attendance at the Independent Challenge Group.</p>
Credit-related factors	<p>Approval of the Company's 'Investor Report', including headroom against financial covenants and key financial ratios as at 31 March 2026 and as forecast for the next four years.</p> <p>Consideration and review of ongoing engagement with investors and Moody's concerning the additional financing for the construction of Havant Thicket Reservoir and the potential impacts on the credit rating that financing brings.</p> <p>Consideration of any Moody's ratings actions. During the year the Company has maintained an investment grade credit rating of Baa2 with a stable outlook.</p>
Business plans and long-term viability statement	<p>Board approval of the PR24 Business Plan and decision not to seek a CMA referral of the PR24 Final Determination.</p> <p>Challenge and approval of the 2025-30 delivery plans.</p> <p>Review and approval of the expanded scope of Havant Thicket Reservoir and submission to Ofwat for additional funding for the additional scope (CAM2).</p> <p>Review and challenge by the Board of evidence to support the Going Concern and the Viability Statements. Approval of those statements.</p>
Any relevant reports – internal or third-party	<p>Review of all relevant internal and external assurance and audit reports, including the report by the Company's financial auditors (KPMG) and the report on key non-financial information by the assurance provider (Jacobs).</p> <p>Challenge to management on the outcome of those reports and tracking of performance against any recommendations.</p> <p>Maintenance by the Board of a direct line of communication with the financial auditors and assurance providers via the Audit and Risk Committee.</p> <p>Review of reports by Moody's.</p>

Directors' statements and responsibilities

Management resources

Factors	Summary of Board considerations
Management skills, experience and relevant qualifications. Recruitment process and staff engagement	<p>The Board assesses the skills, experience, capability and performance of the Senior Leadership Team.</p> <p>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.</p> <p>The Nomination Committee has oversight of the appointment of members of the senior leadership team and makes the final appointment.</p> <p>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.</p>
Succession planning for key management/staff	<p>An annual evaluation by the Board of its performance during the previous year, individually and collectively. As part of this it considers the assessment of its own skills mix and has taken action to ensure the appropriate balance of skills is retained.</p> <p>Board review, through the Nomination Committee, of management papers and plans in relation to succession planning.</p> <p>As described above, a new Chief Operating Officer was recruited, following retirement of the previous post holder.</p>
Quality of management/ staff induction and other training and development	<p>The Board, through the Executive Directors and senior leadership team, has oversight of employee induction and training activities.</p> <p>The Board, through the Remuneration Committee, also considers the annual performance of the senior leadership team, including development areas and approval of objectives.</p> <p>Working in partnership with DWI, the Company has over the last few years implemented an extensive programme of work to improve skills, knowledge and capability within the water production area of the business. The Board consider the capacity, capabilities and skills of the operations teams as a whole.</p>
Process for ensuring diversity of perspectives	<p>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.</p> <p>The Board regularly has direct contact with other stakeholder groups such as regulators and the Independent Challenge Group (ICG). An Independent Non-Executive Director attends the main meetings of the ICG.</p> <p>An independent Non-Executive Director also attends meetings of the Stakeholder Advisory Group for Havant Thicket Reservoir.</p> <p>The Board, through the Nominations Committee, is responsible for overseeing the Company's policies on equal opportunities, including diversity and inclusion.</p> <p>The Board supported the creation of a new People and Culture Group in 2025 and the Company actively supports the Women's Utility Network. The Remuneration Committee reviews the annual Gender Pay Gap report.</p>
Board or management activities, reports or statements	<p>The Board meets six times each year and receives regular management reports. It actively considers and challenges management reports and related information.</p> <p>There is a transparent process of both routine management reporting and reporting on specific matters to the Board.</p> <p>The Board also meets outside the scheduled meetings to consider specific matters as required. For example, a Board steering committee holds monthly meetings on the Havant Thicket Reservoir project.</p> <p>A new ESG Committee was established in 2025 to ensure appropriate focus and to benefit from the expertise of our Non-Executive Directors in this area. The Board is content it has access to and has considered all relevant management reports.</p>
Independence of Board	<p>Independent Non-Executive Directors are the largest single group on the Board, consistent with Ofwat's principles on Board Leadership, Transparency and Governance.</p> <p>The Chair is independent of management and investors.</p> <p>The independent Non-Executive Directors periodically visit the company's production sites and Havant Thicket Reservoir site.</p>

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.	<p>The Board has considered the Company's framework of governance, risk management and internal controls. The Board considers the Company's top risks and discusses emerging and related risk mitigations.</p> <p>The Board has given active consideration on how to align Havant Thicket Reservoir processes and procedures to those of the core business, when appropriate.</p> <p>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 has strengthened the functioning of internal audit by appointing a co-sourcing partner.</p> <p>A new Enterprise Risk Management (ERM) system was implemented during the year to further improve risk management across the organisation.</p> <p>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 and Accounts. It reviews the outcome of third-party assurance and management's response to any identified control weaknesses. It tracks implementation of control recommendations.</p>
Systems for maintaining supply/ business continuity	<p>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's response and lessons learned.</p> <p>The Board considers the Company's business continuity/disaster recovery framework.</p> <p>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 2025-30 business plan.</p>
Policies to prevent fraud and other unethical behaviour; whistleblowing policy	<p>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.</p> <p>The Board considers it leads from the top in terms of reinforcing the Business's purpose.</p> <p>The Company has a Whistleblowing policy (which we review annually) and the Company Secretariat team, supported by external and/or internal experts, are skilled to undertake whistleblowing investigations, which are reported and discussed at Board and ARC meetings.</p>
Risk, compliance other assurance statements	<p>The Board reviews and approves the Company's Risk and Compliance statement as part of the approval of the Annual Performance Report and Accounts.</p> <p>As noted above the Board leads the process of assessing and managing risk.</p> <p>The Board, through the Audit and Risk Committee, assesses the requirements, appropriateness and outcome of formal assurance processes, particularly the approval of the Annual Performance Report and Accounts.</p> <p>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.</p>

Rights and resources other than financial resources

Factors	Summary of Board considerations
Corporate purpose, vision and values	<p>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" (see page 22).</p> <p>Last year the Company updated its Articles of Association to set an objective to conduct its business and operations so they have a positive impact on, and deliver long-term value for, its customers, communities and environment.</p> <p>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.</p> <p>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.</p>
Technology and other systems for ensuring checks and balances.	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. Many of the core systems are being renewed during the 2025-30 period.
Planning systems	The Chief Information Officer is a member of the Executive Team to ensure an integrated approach is taken across the business to systems and processes.
Assets maintenance. Insurance policy.	<p>As part of the PR24 Business Plan process the Company assessed asset health, risk and resilience. The Board considered the proposals for asset maintenance for 2025-30 as part of its scrutiny and sign off of the PR24 Business Plan and its decision not to refer the PR24 Final Determination to the CMA.</p> <p>The Board has overseen the creation of a new Asset Directorate and investment in key systems to support optimisation of our investment programme.</p> <p>Appropriate insurance is maintained by the Company. The Board reviews the annual insurance renewal proposals, including an assessment of any areas where insurance cover is not taken/available and the related risk.</p>

Contracting

Factors	Summary of Board considerations
Position/status of key contracts in place	<p>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. Key supply chain contracts and frameworks were put in place for 2025-30 with oversight from the Board.</p> <p>The Board is closely involved in providing oversight, strategic direction and challenge of the Havant Thicket Reservoir project, including the additional scope to align with Southern Water's recycling proposals.</p>
Contracts between the Appointee and Associated Companies.	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 and Accounts.
Transactions between the Appointee and any Associated Company.	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.
Compliance with licence provision on cross-subsidies, guarantees and cross-default obligations.	

Other material issues or circumstances

Factors	Summary of Board considerations
Havant Thicket Reservoir (HTR)	<p>The Havant Thicket Reservoir project represents a significant programme of work for the business due to its size relative to the Company's Regulatory Capital Value.</p> <p>The Board remains closely involved in the oversight of this programme and has strong representation on the HTR Steering Committee.</p> <p>The Board has maintained oversight of the development of the project and has been closely involved in the process to develop the scope of the project to align with Southern Water's water recycling proposals. This included review and approval of the second Cost Adjustment Mechanism (CAM2) submission to Ofwat and the associated financing plans.</p> <p>Going concern analysis presented to the Board as part of the Annual Performance Report and Accounts provides assurance the company has sufficient financial resources for the next 12 months and in providing that assurance the Board has taken full account of the future financing requirements of the programme.</p>

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 262 to 263 of this document.

Licence condition G: customer focus

We continue to remain customer focused in our delivery plan, ensuring we meet the compliance requirements. This includes:

- Publication of our new Guaranteed Service Standards, making sure we are fully compliant with the new scheme rules
- Continued development of our support for customers who are falling into arrears, ensuring we meet the paying fair guidelines and supporting customers who may be in vulnerable circumstances
- Working with customers to make sure the customer process for our smart water metering programme meets customers' needs
- Publication of our 2026 Vulnerability Strategy
- Continuing our focus on improving the customer experience of all our customers, with particular focus on those who need extra support as they are on our Priority Services Register.

To make sure we continue to understand the impact of the cost of living on our customers and their views of us as a company, we have maintained our 1,000-strong customer panel with whom we undertake quarterly focus groups and surveys. In line with our work on our Drought Plan and planning for our Water Resources Management Plan, we have focused on seeking customers' views on their priorities relating to water supply and demand reduction options.

From 1 April 2026, Ofwat has strengthened the requirements for consumer involvement, requiring all companies to ensure consumer thinking is part of any material decisions made.

By the end of June 2026 we will publish the first version of what we consider will be the material decisions we will be making in 2026-27 as a company. These focus on our Water Resources Management Plan, Drought Plan, the Ofwat Cost Change Process and work we intend to do to redesign our affordability support. We will also be working to embed this framework into our end-to-end decision making at all levels.

We will be further developing our approach to engagement with our Independent Challenge Group, which is already actively involved in key areas of customer impact, including how we utilise the stakeholder group to support our compliance with these obligations.

Directors' statements and responsibilities

Statement on risk and compliance

The Directors confirm that the Company, in their opinion:

- has a full understanding of, and subject to the exception noted below, 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
- has appropriate systems and processes in place to allow it to appropriately identify, manage, mitigate and review its risks.

As part of a review by the Company's internal auditor a number of process issues were identified in relation to compliance with the statutory Guaranteed Standards Scheme (GSS). As well as addressing the specific process issues identified, we commissioned an independent review of GSS compliance and proactively engaged with the regulator. This independent review identified a number of GSS payments which should have been made but were not correctly identified at the time. All customers eligible for a payment have now been identified and payments will be made in full, with an associated late payment penalty. A total of £450,000 has been provided for historic missed payments including late payment charges and £50,000 for associated costs in the year. In recognition of the failures we will also make an additional contribution of £150,000 to the hardship fund which supports customers in need.

The Directors also confirm that the Company:

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

In relation to the malus and clawback provisions, the Audit and Risk Committee considered the results of the review of GSS compliance failures, including directly discussing the findings with the assurance providers without management being present. Based on that review, the Committee, which includes the Chair of the Remuneration Committee, concluded that there were no grounds to invoke the malus and clawback provisions within the Executive Directors' contracts in relation to the historic GSS compliance failures.

The risk management, monitoring and control systems and processes upon which the Directors rely in making this statement are described on page 109.

Statement on accuracy and completeness of data and information

The Board recognises the importance of providing information to customers and other stakeholders which is customer-led, relevant, reliable, complete, accurate, objective, understandable and timely. Our ongoing objective is to make information available which 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 which 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 and Accounts.

To ensure that all stakeholders, including Ofwat, can rely on the data 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 and 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 2025-26 we engaged Jacobs to assure our non-financial data and our statutory auditors KPMG to assure our regulatory accounts and other financial data.

The Audit and Risk Committee oversees the assurance process on behalf of the Board and hears directly from the independent third-party assurers. This includes taking the opportunity to hold 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 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 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 and Accounts, the Board also reviews data for the 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 Annual Performance Report and Accounts. 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 of both the performance of third-party assurance providers and the appointment of those parties. The contract for our financial audit was awarded in 2019-20 following a competitive tender exercise. During 2025 a competitive process was undertaken in relation to technical assurance, with the successful tenderer being appointed for 2025-30. The Audit and Risk Committee oversees the appointment process for both financial and technical assurance.
- 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 any exceptions and weaknesses in the assurance approaches have been addressed

The Risk and Compliance Statement above, confirms 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 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 processes, 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 provides assurance on technical elements of our regulatory submissions and our financial auditors, KPMG, audit our key financial data.

Over the last 12 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:

- External training on the three-lines of defence model and in particular the role of Data Owners and Data Providers
- Audit of key processes ahead of the year end, based on a risk assessment framework
- Refresh of the Jacobs assurance team, following the re-tender exercise, to bring fresh insight and challenge, reinforcing their independence.

In addition, third-party external assurance over our control framework is provided by BDO. To further strengthen our internal controls, we have established an in-house internal audit function.

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. The Audit and Risk Committee is chaired by an independent Non-Executive Director with skills and experience in accounting and competition and regulatory policy.

Directors' statement on statutory duties

The Directors of the Company have a duty to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, as per Section 172(1) of the Companies Act 2006. In doing so, the Directors must have regard to the needs of, and impact on, a range of stakeholders, as detailed below.

Customers

Our customers rely on us to provide an affordable, reliable and sustainable supply of high-quality water.

Our people

Our people are dedicated to enabling us as a business to deliver high-quality services to our customers and we invest in their development.

Communities

We work closely with community stakeholders and groups to embrace opportunities to improve the environment, support the local economy and make meaningful investments.

Investors

By working closely with our shareholder, we ensure robust financial and governance foundations to support our strategic and operational delivery.

Regulators

We foster open, transparent and effective relationships with regulators to support regulatory change, effective reporting and the delivery of our business plans.

Suppliers and third parties

We recognise that robust, effective relationships with our suppliers and third parties are central to achieving our strategic objectives.

Section 172(1)	Relevant disclosure	Reference
(a) the likely consequences of any decision in the long term	• Business plan	Page 24
	• Transforming for future delivery	Page 25
	• Risk management and principal risks and uncertainties	Page 66
(b) the interests of the Company's employees	• Our People	Page 50
	• ESG Committee	Page 112
	• Remuneration Committee	Page 114
	• Sustainability Report	Page 44
	• Delivery Outcomes (social obligations including our people)	Page 50
(c) the need to foster the Company's business relationships with suppliers, customers and others	• Independent Challenge Group (ICG)	Page 49
	• ESG Committee	Page 112
	• Sustainability Report	Page 44
	• Delivery Outcomes (performance for customers)	Page 48
(d) the impact of the Company's operations on the community and the environment	• ESG Committee	Page 112
	• Sustainability Report	Page 44
	• Havant Thicket Reservoir	Page 38
	• Water Resources Management Plan (WRMP)	Page 270
	• Drought Plan	Page 48
	• Water Industry National Environment Programme (WINEP)	Page 54
	• GHG emissions	Page 52
	• Delivery Outcomes (community and environment)	Page 52
	• Sustainable water	Page 48
(e) the desirability of the Company maintaining a reputation for high standards of business conduct	• ESG Committee	Page 112
	• Sustainability Report	Page 44
	• Principal Risks	Page 66
	• Audit and Risk Committee	Page 108
	• Havant Thicket Reservoir Steering Committee	Page 113
(f) the need to act fairly between members of the Company	• Board activities and decisions	Page 84
	• Directors' report	Page 98
	• Ownership structure	Page 17



Audit and Risk Committee



Dr Lara Stoimenova
Senior Independent
Non-Executive Director
and Chair of Audit and Risk
Committee

June 2026

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

Audit and Risk Committee related UK Corporate Governance Code Principles

- The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.
- The Board should present a fair, balanced and understandable assessment of the company's position and prospects.
- The Board should establish and maintain an effective risk management and internal control framework and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives.

Role of Committee

Having regard to the UK Corporate Governance Code, the Committee assists the Board in the fulfilment of its corporate governance duties in relation to risk management, internal controls and financial reporting. Its duties are split further with focus on annual and AMP (five-year period) budgets (operational and capital expenditure), financial reporting integrity (interim and annual), internal control and risk management (including risk management policy, deep-dive reviews of key risks, risk tolerance and appetite statements), compliance, whistleblowing and fraud, internal audit, external audit (financial and non-financial) and third-party assurance.

Activities during the year

In addition to fulfilling its ongoing duties, the Committee has an extensive agenda of items addressing issues relating to the day-to-day activities of the business with which it deals in conjunction with senior management, internal and external auditors and the Company Finance team.

There were five meetings of the Committee during the year; which focussed on the following:

- Reviewing and challenging the year-end and interim results and going concern statement and considering our regulatory obligations under the Condition P ring fencing certificate.
- Reviewing the critical accounting judgements and key sources of estimation uncertainty in the Financial Statements.
- Approving the merging of the annual report and accounts with the annual performance report for the financial year 2025-26.
- Input into the annual review of corporate governance and financial-related policies and procedures – namely Anti-Bribery, Anti-Fraud, Non-Audit Services, and Risk Management.
- Regular updates on the design, roll out and training on the Company's new Enterprise Risk Management

(ERM) system, which went live in October 2025. Receiving a debrief on how the ERM system will support the business in complying with Provision 29 of the UK Corporate Governance Code (2024) on material controls.

- Reviewing the principal risks of the business and ERM heatmap reporting functionality, accompanied by commentary on changes to inherent and residual risk scoring and internal control measures (including material controls).
- A deep-dive review of the Havant Thicket Reservoir project, risk management (including Monte Carlo simulation, risk universe, risk management framework and key and emerging risks) and wider governance and instructing a review of the Steering Committee Terms of Reference for approval by the Board.
- Six-monthly updates from the Data Protection Officer, reviewing data protection changes in regulation, reporting trends across the water industry (and wider UK economy) and company statistics and compliance records.
- Reviewing the audit and assurance work carried out by the Company's external financial and non-financial auditors, through formal reporting, including discussions without management present and direct with the Committee Chair. Reviewing non-audit services provided by the external auditor to ensure compliance with the Company's Non-Audit Services policy.
- Approving the Internal Audit Charter, strategy and annual internal audit plan. Internal audits conducted in the year focussed on an end-to-end review of procurement processes, risks and controls from the Water Supply (Water Quality) Regulations 2016, GSS (customer compensation) payments, Working Time Directive and overtime. In addition, an audit of internal financial controls by BDO was reviewed by Finance Management and the Committee.

External audit and non-audit services

The Committee operates under formal Terms of Reference which set out its delegated authorities and responsibilities. It has primary responsibility for making recommendations to the Board on the appointment, reappointment and removal of the external auditors. The auditor's independence and objectivity were first assessed as part of the audit tender conducted in 2020 and are monitored on an ongoing basis throughout the year, together with the independence of the lead audit partner.

This monitoring includes review of the nature and extent of any non audit services provided by the external auditors, with the Committee seeking to maintain an appropriate balance between objectivity and value for money. During the year, non audit services related to other assurance work supporting regulatory financial submissions, as well as tax advisory and compliance services.

The Committee also undertook a review of the effectiveness and performance of the auditors, including consideration of the quality and output of the audit and the associated costs. In meetings with the external auditors, the Committee requests updates on any significant issues identified during the audit of the financial statements, together with feedback on the quality of cooperation and support provided by management and the wider business.

Internal audit

During the year, the Committee oversaw the establishment of an in-house Internal Audit function (supported by an internal audit co-source partner – Forvis Mazars), marking a significant enhancement in the Company's governance, risk management and internal control framework.

The Internal Audit function was established with clear terms of reference and reporting lines which preserve its independence and objectivity; reporting into the Chair of the Audit Committee.

The Board, supported by the Audit Committee, is satisfied that the establishment of the Internal Audit function has strengthened the Company's overall assurance framework. The Committee will continue to review the effectiveness, independence and resourcing of the function to ensure it remains proportionate, effective and aligned with best practice.

Risk management and internal control

The Audit and Risk Committee supports the Board in discharging its responsibility to ensure the Company operates an effective system of internal control and risk management, underpinned by appropriate policies and procedures.

The Company's risk management framework is designed to identify, manage and, where practicable, reduce and mitigate risks which could hinder the achievement of the Company's strategic objectives.

During the year, risk management continued to mature across the business, supported by the roll out of the Enterprise Risk Management (ERM) system, which was sponsored by the Audit and Risk Committee. A Risk Review Board was also established, with representation from across the business, including the Havant Thicket Reservoir project.

The Board provides review and challenge of the Company's principal, emerging and critical risks and reports directly to the Audit and Risk Committee. The Risk Review Board meets quarterly and supports structured risk and opportunity discussions as part of the quarterly business review process.

In preparation for Provision 29 of the UK Corporate Governance Code, the ERM system has been designed to capture both material and non-material controls. An internal audit of the Company's readiness for Provision 29 has been commissioned through the co-source internal audit partner, with the findings to be reported to the Audit Committee in summer 2026.

Annual Performance Report and Accounts

The Committee reviewed the combined Annual Report and Accounts and Annual Performance Report prior to publication to satisfy itself that they accurately reflected the Company's position, performance and strategy.

The Committee also assessed whether the narrative sections were consistent with the financial statements and supporting tables were clear and balanced and provided appropriate coverage of both positive and negative aspects of the business's performance and future outlook.

The Committee thereafter advised the Board that the 2025-26 Annual Performance Report and Accounts, taken as a whole, provides a fair, balanced and understandable assessment of the Company's position and the information necessary for shareholders to assess its position, performance, business model and strategy.

Nomination Committee



Christopher Deacon
Independent Chair of the Board and Chair of the Nomination Committee

Nomination Committee Members

- Christopher Deacon (Chair)
- Dr Lara Stoimenova
- Sharon Darcy
- Christopher Loughlin
- Bob Taylor

Nomination Committee focussed UK Corporate Governance Code Principles

- Appointments to the Board should be subject to a formal, rigorous and transparent procedure and an effective succession plan for the Board and senior management should be maintained. Both appointments and succession plans should be based on merit and objective criteria. They should promote diversity, inclusion and equal opportunity.
- The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.
- Annual evaluation of the Board should consider its performance, composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

Role of Committee

Having regard to the UK Corporate Governance Code, the Committee's primary role is to support the Board on matters relating to the appointment of Executive and Non-Executive Directors of the Company. This includes the following:

- Evaluate the skills, knowledge, experience and balance of the Board and Executive Management Team. In the light of this evaluation, prepare a description of the role and capabilities required and recruitment strategy for future appointments, aligned to succession planning and business requirements
- Identify and nominate candidates to fill Executive and Non-Executive Director vacancies as and when they arise, for consideration and approval by the Chair and Board
- Consider the length of service of the Chair, members of the Board and Board Committees and where required, facilitate the necessary steps to refresh these memberships to ensure the Board and its committees remain fully effective.

Activities during the year

The Committee met twice formally during the year, when it focused on the Board performance review, Ofwat's Fitness and Propriety Rule, Executive Team succession planning and the appointments of a new Chief Operating Officer and Independent Chair of the Havant Thicket Reservoir Steering Committee.

Members reviewed succession plans for the Executive Team, focussing on individuals within the Senior Leadership Team and Heads of Service who had been identified as potential successors. This exercise enabled the Committee to gain confidence in the Company operating with an orderly succession process, to enable it to continue to deliver its long and short-term strategic objectives.

For the appointment of Executive and Non-Executive Directors, the Company maintains established relationships with executive search firms to support with

the identification and shortlisting of candidates in the market. In this regard we have used Satori Search and Day-2, both of which specialise in senior-level recruitment within the energy and infrastructure sectors.

Updated survey questions were prepared for the annual Board performance review, which was supported internally by the Company Secretary. The results and proposed actions were evaluated and agreed upon in a Board group discussion (see further commentary on page 87).

The Chief Executive Officer conducted appraisals of Executive Director performance and the Chair of the Board conducted appraisals for the CEO and Non-Executive Directors.

The Committee also received updates on Ofwat's Fitness and Propriety Rule consultation, having sight of the Company's response to the consultation led by the Chief People Officer and Company Secretary. Following the introduction of the Rule in December 2025, the Committee reviewed Ofwat's reporting template and guidance to ensure it understood its compliance requirements for new Directors as of 1 April 2026, and existing Directors prior to 1 April 2027. Compliance with the Rule will be supported by the Company Secretary and People Team, utilising our existing pre-employment screening provider to provide background information for the Committee to assess an individual's compliance with the Fit and Proper Person Test. The People team will centralise record-keeping and documentation controls.

Results from the screening process (including right-to-work verification, employment verification, criminal records checks and other relevant due diligence) will sit with the Nomination Committee to be decided upon prior to recommending an individual's appointment to the Board (and notification to Ofwat). The Company will continue to review and enhance these arrangements to ensure ongoing compliance and alignment with regulatory expectations and sector best practice.

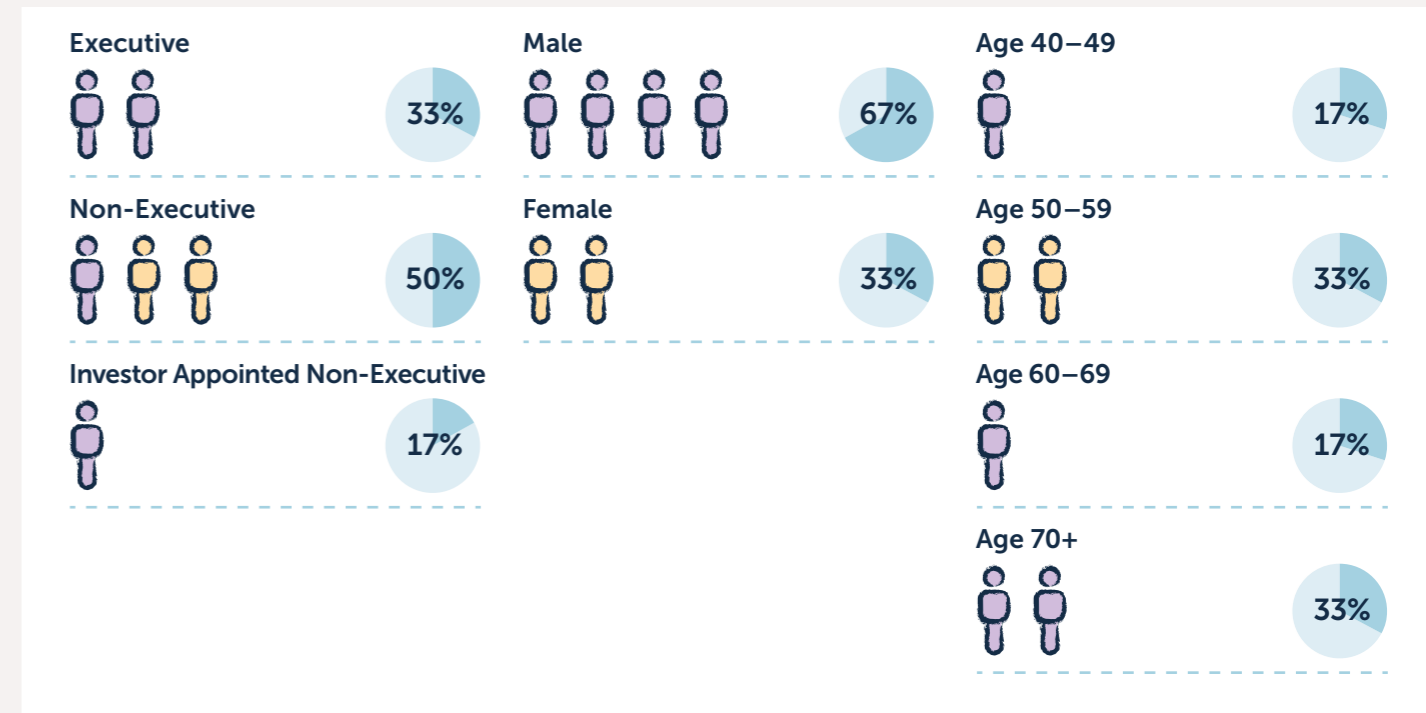
Priorities for 2026-27

The Committee's priorities for the year ahead include:

- Considering an externally facilitated performance review of the Board, Committees and Directors
- Compiling summary reports for assessments of Board Directors, to comply with Ofwat's Fit and Proper Person Test in time for 1 April 2027
- Reviewing succession plans for the Executive and Leadership teams of the Havant Thicket Reservoir project.



Board composition*



*This reflects the Board composition during 2025-26.

Environmental, Social and Governance Committee



Christopher Milner
Chief Financial Officer and
Chair of the ESG Committee

June 2026

ESG Committee Members

Christopher Milner (Chair)
Sharon Darcy (Board representative)
Carol Cairns (Environmental Lead)
Matthew Hamilton (Social-Customer Lead)
Hayley Hewson (Governance Lead)
Rebekah Holbrook (Social-People Lead)

Role of Committee

The Committee has been introduced to support the development and implementation of Portsmouth Water's ESG strategy and framework; setting strategic goals, short and long-term science-based targets and key ESG metrics for both the core business and Havant Thicket Reservoir project. In addition, the Committee will provide support to other Board committees as they seek to introduce measures to support sustainability.

Activities during the year

In its first year of operation the Committee met four times; primarily overseeing the development of the Company's ESG strategy, framework and roadmap.

Its members carried out deep-dive reviews into social engagement (our people and our customers) and the environment (our core business and the Havant Thicket Reservoir project) focussing on climate change and net zero.

The Committee also:

- Reviewed sustainability-related policies and statements such as Whistleblowing, Environmental, Modern Slavery and Volunteering
- Evaluated climate and nature-related disclosure framework options for potential adoption from 2026
- Approved the sustainability section of the Company's 2025 annual report and annual ESG data disclosure to shareholder, Ancala
- Received regular updates from the ESG Steering Group on its progress between Committee meetings to support the engagement of the wider business and community in the Company's developing ESG strategy
- Supported and approved the creation of the Company's first standalone sustainability report for 2026.

Priorities for 2026-27

The Committee's priorities for 2026-27 include expanding the Company's sustainability reporting, i.e. Task Force on Climate-related Financial Disclosures (TCFD), Task Force on Nature-related Financial Disclosures (TNFD), IFRS S1 (General Requirements for Disclosure of Sustainability-Related Financial Information and IFRS S2 (Climate-related Disclosures).

They also include:

- Reviewing independent and external ESG rating agencies and undertaking rating exercises
- Further communicating the Company's ESG strategy to its customers, communities, and people.

Havant Thicket Reservoir Steering Committee



Bob Taylor
Chair of the Havant Thicket
Reservoir Steering Committee

Havant Thicket Reservoir Steering Committee members

Bob Taylor (Chair from April to October 2025)
Michael O'Neil (Independent Chair from November 2025 to March 2026)
Christopher Deacon
Christopher Milner
Chris Loughlin, Ancala representative

Role of Committee

The Committee's role is to:

- Provide strategic oversight, direction and decision-making within the Havant Thicket Reservoir project
- Ensure the successful programme delivery of the Havant Thicket Reservoir project, which meets the expected benefits and objectives set by Portsmouth Water's Board; through the effective oversight and management of workstreams, objectives, actions and risks aligned with the agreed Board Delegation of Authority limits
- Report back to the Board on the decisions and activities of the Committee, via the Independent Steering Committee Chair.

Activities during the year

The Committee met 13 times during the year, when it:

- Approved the Committee's terms of reference to be escalated to the Board for final consideration
- Reviewed health, safety, environment and wellbeing reports and statistics
- Reviewed updates from across the project – visitor centre, recycled water, charitable partnerships, water discharge compliance, contractor earned-value assessments, dry and wet commissioning dates, adverse weather events, site and infrastructure security measures, alignment works, shear planes, planning and consents, eCAF (cyber assessment framework) and dual pipeline, as well as monitoring progression of the new Bulk Supply Agreement
- Considered key financial and project deliverable risks – increasing the risk outturn from P50 to P80 within the CAM2 (cost adjustment mechanism) application to Ofwat, approving drawdowns from risk budget and the impact on fuel and material supplies following conflict in the Middle East and planning contingency stockpiling

- Received external assurance on construction costs, CAM2, alignment works and financing strategy
- Supported supplier contract and terms and conditions amendments and approved the implementation of an Owner Controlled Insurance Programme (OCIP)
- Supported the CAM2 submission and Ofwat engagement with an independent technical review

Priorities for 2026-27

The Committee's priorities for 2026-27 are to:

- Support the project with the CAM2 process through to Ofwat determination
- Support the CFO with the financing strategy through to completion
- Provide strategic oversight and direction to ensure the successful ongoing delivery of the project, particularly in relation to the new Bulk Supply Agreement
- Ensure the Board is kept abreast of project developments and key decisions.

Remuneration Committee



Sharon Darcy
Chair of the Remuneration Committee

Remuneration Committee Members

- Sharon Darcy (Chair)
- Christopher Deacon
- Dr Lara Stoimenova

Remuneration Committee related 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.

Role of Committee

Having regard to the UK Corporate Governance Code, the Committee supports the Company's strategy and long-term sustainable success by aligning executive remuneration to its purpose, values and strategic delivery. Seeking to support in attracting, retaining and motivating talented senior executives, it considers financial, non-financial and strategic measures within remuneration schemes; including those relating to the environment, customers and communities. Independent judgement and discretion are exercised for remuneration outcomes, considering both company and individual performance and wider circumstances, allowing for recovery or withholding of sums under specified 'malus and clawback' provisions.

Key responsibilities of the Committee

The key responsibilities of the Remuneration 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 Executive Directors, including the total individual remuneration packages of 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 its strategic objectives, purpose and values
- Agree short-term and long-term incentive payments and review performance against service objectives linked to customers, communities, environment and performance in the round
- Set short-term and long-term performance targets and ensure targets are at stretching levels aligned to Ofwat guidance and industry-leading performance targets

- Ensure workplace remuneration policies and practices are consistent with company values and purpose, supporting the long-term sustainable success of the business
- Use discretion where appropriate to override formulaic outcomes.

Chair's introduction

On behalf of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2026.

The Remuneration Committee is committed to ensuring Executive Directors are paid fairly, under a policy which encourages the right behaviours and delivers positive outcomes for our customers, community and the environment, and supports the long-term sustainable success of the business. The Committee is mindful of public scrutiny of water company executive remuneration and appreciates the importance of transparency.

During the year, we undertook a root-and-branch review of our Executive Team pay structures for 2025-2030. A key part of this was ensuring we got the balance right between stretching short and long-term performance measures and setting an appropriate weighting for metrics focussed on the core business, compared to those focussed on Havant Thicket Reservoir, the largest project in our operational history. Another area of focus has been Ofwat's Performance Related Pay Prohibition Rule (released in June 2025). Under Ofwat requirements, performance-related pay of Executive Directors may be reduced to zero due to a single area of poor performance. Here, the Committee will apply the rule as a final step in determining executive pay outcomes each year.

The 2025-30 business plan cycle represents a significant step-up of investment for the Company and a crucial phase in the development of Havant Thicket Reservoir. In this context, the Committee considers it important to maintain transparency and legitimacy, while retaining

sufficient flexibility to apply the remuneration policy as intended, so we can motivate and retain a unified and experienced leadership team and align executive outcomes with performance for customers, communities, the environment and our shareholders across all areas of the business.

The Committee met four times during the year, focussing on:

- Designing a new approach to Executive remuneration for 2025-30. Our aims were to:
 - Simplify our previously complex arrangements to increase transparency and understanding (we reduced the number of LTIP and bonus schemes)
 - Incentivise the right behaviours to drive strategic objectives
 - Balance the interests of stakeholders, regulators and investors
 - Ensure fairness and consistency across executive roles, fostering a degree of collective responsibility across the Senior Executive Leadership Team (particularly important given the significant nature of the Havant Thicket Reservoir project)
 - Maintain competitiveness to attract and retain high-calibre talent.
- Ensuring the reward and incentive opportunities for Executive management are appropriate and proportionate considering the Company's operational, financial and regulatory performance
- Analysis of regulatory changes, including malus and clawback provisions and the prohibition of performance-related pay under Ofwat's PRP rule, changes introduced by the Companies (Directors' Remuneration and Audit) (Amendment) Regulations 2025 to the Remuneration Report and Policy and those of the Employment Rights Act across the wider business

- Reviewing current pay trends, labour market and inflation data ahead of negotiations with trade unions around pay awards for all employees
- Reviewing and approving proposed base pay increases for Executive Directors and members of the Executive Team, taking into consideration the outcome of pay negotiations across the business
- Reviewing feedback from the Company's 'Your Voice' employee engagement survey and resulting actions
- Reviewing the Company's annual Gender Pay Gap report, proposed actions and work conducted during the prior year.
- Discussing, challenging, and agreeing 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. Achievement of these results against target, and explanation as to why they are stretching, is noted on pages 122 to 127.

The Committee receives independent, specialist advice from Deloitte LLP, its chosen remuneration consultants. During the year Deloitte supported with the redesign of the Portsmouth Water Executive Team's 2025-30 Performance Related Pay package, including a long-term incentive plan (LTIP) and annual bonus scheme, as well as introducing such schemes for the Havant Thicket Reservoir project Executive Team. Sixty per cent of the bonus metrics are linked to communities and the environment. These new and improved schemes align to the Performance Related Pay Prohibition (PRP) Rule and threshold, target and stretch performance levels.

The Committee and the Board believe executive incentive outcomes should be closely aligned with performance, to maintain credibility with stakeholders. We also recognise the importance of providing clear and accessible explanations of pay arrangements so stakeholders can understand how they operate and how outcomes are determined. This approach is consistently reflected in our reporting and we remain committed to upholding high standards within the water sector.

Sharon Darcy

Chair of the Remuneration Committee
29 June 2026

Executive remuneration

The Company's Executive Pay Policy is designed to attract and retain good quality senior executives. The remuneration package includes a variable element which reflects the Company's performance against stretching customer, community and environmental objectives, as well as consideration of performance in the round. The Committee considers the performance element of the remuneration package is appropriate given the main activities of the Company, which include the development of Havant Thicket Reservoir.

Full details of each component of the Directors' remuneration applicable for the 12 months ended 31 March 2026 are shown in the tables on pages 134 to 135.

The Committee recognises the importance of being transparent about how executives are remunerated to promote the trust of, and accountability to, customers and other stakeholders, as required under section 35A of the Water Industry Act 1991 regarding links between Director's pay and standards of performance and the performance-related executive pay (PRP) prohibition rule issued under section 35B of the Water Industry Act 1991.

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 the long-term interests 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, the UK Corporate Governance Code and the Water (Special Measures) Act 2025.

Terms of the policy

The terms of the policy are:

- 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 provisions form part of Executive Directors' contracts. The Committee may exercise these provisions where a Director's actions, conduct, or failure to act result in outcomes which adversely impact their performance or contribution, or cause material 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 account of Company performance in the round, 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 that at least 60% of performance-related pay is directly linked to customer, community or environmental targets
- Final decisions on the Executive Director annual bonus and LTIP payments are made by the Remuneration Committee, 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.

Executive Directors' remuneration policy table

	Component of remuneration and how it supports the Portsmouth Water strategy	How does this operate and what is the maximum that may be paid?	What performance measures are used and why?	Are there any provisions to recover sums paid?	
Fixed pay	Base salary	Setting the base salary at the right level enables the company to attract and retain high-calibre Executives required to deliver the performance we want at Portsmouth Water.	Salaries are reviewed annually with changes typically effective from 1 April. The review considers the general annual salary increases for the workforce as well as any other key internal and external reference points, including company and personal performance. There is no prescribed maximum annual base salary or salary increase.	Company and individual performance are considered part of the process for determining base salary level. Individual performance is assessed against KPIs aligned to the Company's strategic objectives. Company performance is evaluated using a range of financial and non-financial performance.	There are no provisions to recover any sums paid.
	Benefits	Paying the right level of benefits helps us to attract and retain the right individual for the role and supports health and wellbeing.	The provision of benefits is set based upon general market practice and consideration of the benefits available to other employees across the business. The benefits available to Executive Directors include: <ul style="list-style-type: none"> • Private medical insurance • Life assurance • Car allowance • Medical screening • Paid holiday. 	Benefits are not performance related.	There are no provisions to recover any sums paid.
	Pension	Pension benefits are paid as part of a market competitive package to assist us in attracting and retaining high-calibre individuals.	The maximum for Executive Directors is aligned to the contribution level for all employees across the business: 15% of base salary into a defined contributions scheme, or equivalent amount paid as salary.	Pension benefits are not performance related.	There are no provisions to recover any sums paid as pension benefits are not linked to performance.

Executive remuneration

Executive Directors' remuneration policy table

	Component of remuneration and how it supports the Portsmouth Water strategy	How does this operate and what is the maximum that may be paid?	What performance measures are used and why?	Are there any provisions to recover sums paid?
Performance-related pay	Executive bonus			
	<p>The short-term incentive plan is designed to ensure achievement of key performance objectives linked to delivery for our customers, community and environment. The bonus incentivises performance against stretching targets. We have two bonus scorecards, one for the core business and one for Havant Thicket Reservoir. A deferred proportion of the overall bonus supports the retention of high-calibre, experienced individuals and promotes sustained performance over the medium term.</p>	<p>Performance metrics are set at the beginning of the regulatory period by the Committee. The Executive bonus is weighted 60% for the core business and 40% for Havant Thicket Reservoir. Bonus awards to Executive Directors are subject to performance and approval by the Remuneration Committee. Executive bonus awards are linked to stretching performance levels for the relevant financial year. Targets are kept under review to ensure they remain stretching. Details of the performance levels for the most recent financial year and performance against them are provided in the annual report on remuneration. The maximum bonus potential for the CEO is 65% of base salary and 50% for the CFO, payable in July following the end of the financial year. 30% of the bonus earned each year is deferred and paid out after two years, subject to the achievement of performance conditions. The process is not just mechanistic: all payments are at the ultimate discretion of the Committee.</p>	<p>The bonus is based on a balance of financial and non-financial measures selected by the Committee at the start of the regulatory period, 60% of which relate to customers, communities and the environment. All targets are clear, stretching and measurable and relate to the company's performance commitments detailed in this report. An explanation of why these targets are stretching can be found on pages 122 to 127.</p>	<p>Payments are subject to clawback for a three-year period after payment.</p>

	Component of remuneration and how it supports the Portsmouth Water strategy	How does this operate and what is the maximum that may be paid?	What performance measures are used and why?	Are there any provisions to recover sums paid?
Performance-related pay	Long-term Incentive Plan (LTIP)			
	<p>The LTIP is designed to ensure focus on long-term Company goals and sustainability for the benefit of our customers, community, environment, investors and other stakeholders. The LTIP incentivises performance against stretching targets. We have two LTIP scorecards, one for the core business and one for Havant Thicket Reservoir.</p>	<p>Performance targets are set at the beginning of the regulatory period by the Committee with up to 125% of base salary for the CEO and 85% for the CFO, split 60% for the core business and 40% for Havant Thicket Reservoir. Both LTIPs vest following the end of the third and fifth year, depending on the performance over the period against the targets set, as determined by the Committee. Targets are kept under review to ensure they remain stretching. All payments are at the ultimate discretion of the Committee.</p>	<p>A balance of financial and non-financial measures is agreed by the Committee at the start of the regulatory period. These are set out in more detail in this report. All targets are clear, stretching and measurable and relate to company performance and delivery of the Havant Thicket Reservoir project.</p>	<p>Payments are subject to clawback for a three-year period after payment</p>

Service contracts

The remuneration approach for the Executive Directors employment conditions is broadly consistent with that for employees across the Company as a whole. Our policy is to set notice periods for Executive Directors at 12 months' notice from either party.

Executive remuneration

Non-executive Directors' policy table

	Component of remuneration and how it supports the Portsmouth Water strategy	How does this operate and what is the maximum that may be paid?	What performance measures are used and why?	Are there any provisions to recover sums paid?
Fees	Fees are set to provide competitive pay to enable the company to attract and retain the right calibre of individual and the right balance of skills and experience on the Board.	Fees are reviewed annually. Any increase will be guided by changes in market rates, time commitments and responsibility levels as well as by increases for the broader Company workforce. The Independent Non-Executive Directors, including the Chair, receive a base fee with additional fees paid for additional responsibility, such as the chairing of a committee or performing the role of the Senior Independent Director. In exceptional circumstances, if there is a temporary yet material increase in time commitments for Independent Non-Executive Directors, the company may pay extra fees to recognise the additional workload. We reimburse our Independent Non-Executive Directors for any normal business-related expenses.	Performance is addressed through annual reviews by the Chair of each Independent Non-Executive Director. The performance of the Chair is reviewed by the Senior Independent Director.	There are no provisions to recover any sums paid.

2025-30 Incentive Framework

At the start of the current 2025-30 regulatory period (AMP8) the Remuneration Committee, with assistance from Deloitte, re-designed the short-term and long-term performance incentive schemes. In developing the incentive schemes, the Committee was guided by the principles set out by Ofwat, especially in relation to the Performance-Related Executive Pay (PRP) Prohibition Rule and the Water Special Measures Act 2025.

The Committee wanted to ensure the 2025-30 incentive framework reflected the following key principles:

- Simplification of current arrangements
- Incentivising behaviours which drive strategic objectives
- Balancing the interests of investors, regulators and stakeholders
- Ensuring fairness, consistency and transparency across executive roles
- Fostering a degree of collective responsibility across the executive leadership team
- Maintaining competitiveness to attract and retain talent.

In designing the short-term and long-term incentive arrangements for Executive Directors for 2025-30, the Committee developed two distinct performance scorecards in line with Ofwat's expectations on performance-related pay, transparency and performance in the round.

For the **short-term executive bonus arrangements**, both scorecards reflect Portsmouth Water's core 2025-30 performance commitments aligned to customers, communities and the environment, ensuring a consistent focus on our strategic priorities. The use of two distinct scorecards reflects the differing operational priorities and performance drivers across the two areas of the business. The Committee determined that a dedicated scorecard for Havant Thicket-related activity was appropriate, given the scale, complexity and long-term strategic importance of the reservoir and to make sure Executive Directors and the Havant Thicket Reservoir delivery team are incentivised and rewarded for the outcomes they can directly influence.

This approach ensures that executive incentive outcomes are clearly and demonstrably aligned both to core regulated business performance and to the successful delivery of this nationally significant infrastructure project. As far as possible, we have linked the Havant Thicket Reservoir scorecard metrics to data on the reservoir we have previously shared with Ofwat, including through the Cost Adjustment Mechanism (CAM)2 process.

The two separate short-term annual scorecards strengthen alignment by linking 60% of variable pay to stretching customer, community and environmental outcomes and 40% to totex and financial resilience.

For the core business scorecard, the totex and financial resilience metrics are linked to operating efficiency, capital delivery, price control deliverables, EBITDA, operating cash flow and our Moody's credit rating. For the Havant Thicket Reservoir scorecard, the totex and financial resilience metrics are understandably more weighted to capital delivery and CAM2. In both cases, these factors have been chosen as they are largely shaped by business performance rather than wider market movements.

The CEO and CFO bonuses are weighted 60% for core Portsmouth Water measures and 40% for Havant Thicket Reservoir specific metrics. This reflects both direct executive responsibilities and overall Company performance.

The Committee removed the previous 20% personal performance element of the bonus to promote fairness, transparency and consistency of outcomes through a common organisational scorecard.

In addition to these mechanistic measures, the Company also reviews overall performance to assess if there have been other issues (such as compliance or reputational issues) which should be considered in making its decision. Taken together, this approach is consistent with Ofwat's expectations on performance-related pay and performance in the round during 2025-30.

In designing the Portsmouth Water **long-term incentive plan**, the Committee focused on simplification by aligning incentives with Return on Regulatory Equity (RoRE) and Environmental, Social and Governance (ESG) measures and, for the Havant Thicket Reservoir long-term bonus element, aligning with time, cost, quality, the environment and community, as detailed on page 141.

The annual bonus structure applies to all directors and company employees and the long-term incentive structure applies to all directors and members of the Executive Team.

The bonus amounts are non-pensionable and require recipients to remain in role until the date of the award and its payment. Payments are made in the July following the end of each financial year.

Another change introduced for 2025-30 has been to the deferred element of variable pay. This was previously referred to as the long-term variable bonus. These awards were historically deferred annually and paid at the end of the relevant five-year cycle. The Committee determined it was important to continue the use of a deferred element in respect of bonuses earned each year; however, under the revised arrangements, deferred amounts are paid in the July following the end of each two-year financial period. This approach maintains an appropriate balance between incentivisation and retention, while improving clarity and alignment with the revised incentive framework.

Once the bonus pot for any year has been determined, the maximum achievable bonus will be split by the annual bonus element and the deferred bonus 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 for a maximum of two years and paid in the following financial year.

The maximum bonus opportunity will remain at 65% of salary for the CEO and 50% for the CFO for 2025-26 as detailed below.

Strategic focus: customers, communities, environment, financial resilience and Havant Thicket Reservoir delivery		
Core Portsmouth Water Customer, community and environmental outcomes Operating efficiency, capital delivery and price control deliverables EBITDA, operating cash flow and Moody's credit rating	Havant Thicket Reservoir Reservoir delivery outcomes Capital delivery, CAM2 and totex control Financial resilience metrics aligned to Ofwat data	
Variable pay scorecard weighting		
60% Customer, community and environmental outcomes	40% Totex and financial resilience	
60% Core Portsmouth Water measures	40% Havant Thicket Reservoir specific metrics	
Transparency	Fairness	Performance in the round
Previous 20% personal performance element removed	Common organisational scorecard supports consistent outcomes	Committee review of compliance, reputational and wider performance matters

Executive remuneration

Executive bonus

The previous short-term incentive scorecard comprised 13 measures, reflecting Ofwat’s 2020-25 common performance commitments, alongside a number of company-specific measures linked to the PR19 business plan, including carbon (a company-specific commitment), health and safety and community partnership initiatives.

For 2025-30, the Committee adopted 10 performance measures aligned to Ofwat’s common performance commitments. In doing so, unplanned outage, Priority Services Register (PSR) and severe drought were removed from the incentive framework, as they no longer form part of Ofwat’s core common commitments. While biodiversity and mains repairs remain performance commitments, the Committee determined they should not be included in the incentive scorecard for 2025-30. Biodiversity was excluded due to its limited applicability to our Company, given the small number of relevant operational sites which restricts its effectiveness as a meaningful incentive measure. Mains repairs was excluded to avoid the risk of unintended behavioural incentives, as increased proactive leakage detection and repairs which support long-term asset resilience can adversely affect reported performance against this measure.

Community initiatives and health and safety remain core priorities and are now embedded within the community and people and vulnerability and affordability KPIs. These measures place particular emphasis on the expansion of social tariffs and support schemes, reflecting the Company’s commitment to improving affordability and protecting vulnerable customers. The inclusion of employee engagement within the framework recognises the scale and pace of organisational growth and the importance of a motivated, engaged workforce to deliver sustainable outcomes.

Each performance measure has been assigned an equal weighting of 6%, reflecting the Committee’s view that all performance commitment targets are equally important in assessing overall delivery. This approach supports a balanced and proportionate assessment of performance in the round and ensures transparency in incentive outcomes.

Where appropriate, bonus awards are assessed against three performance levels – threshold, target and stretch. The threshold represents the minimum level at which a bonus begins to be earned and is set to ensure improvement on performance in the prior year. Target performance is aligned to the relevant performance commitment or upper quartile benchmarks where available, while stretch performance reflects outcomes which exceed these targets or upper quartile levels.

Core business, environment, customer and community measures

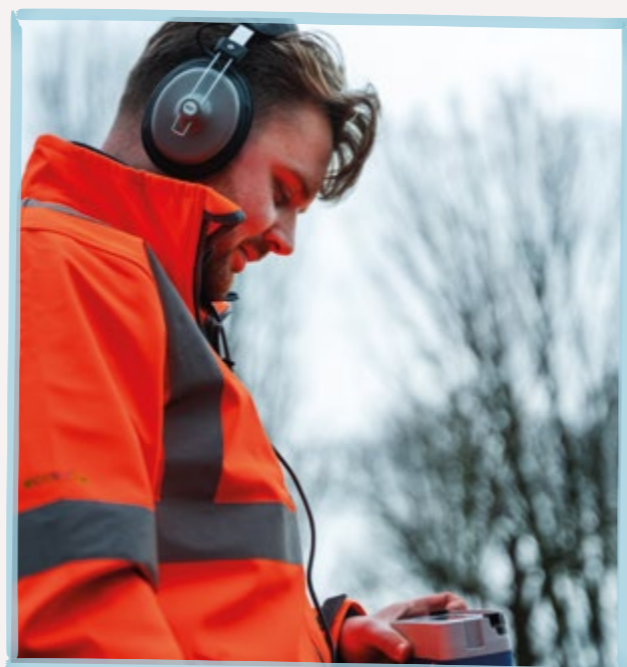
How targets were set and why we think they are stretching

Leakage	
Target:	<30.8 million litres per day
Actual (2025-26):	34 million litres per day

Without constant action to detect and repair leaks, the level of leakage will naturally rise. Climate change and an 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 regulation to charge water companies for conducting leak repairs in the road. These additional costs put more pressure on leak repair budgets.



While performance against our target was not achievable in 2025-26, our targets to 2030 remain aligned with our performance commitment to reduce leakage by 10% in 2025-30. At the end of 2025-26 only three companies are anticipated to have achieved this level of leakage reduction.

As a result of significant improvements we have made to our methodology for reporting leakage, in March 2026 Ofwat agreed to a rebase of our leakage targets for 2025-30. Our 2025-26 revised leakage target is therefore 30.8 million litres per day (ML/d), based on Ofwat’s three-year rolling average measure. While the volumetric target has been revised, this still represents a continuation of the previous percentage reduction targets set by Ofwat at the start of the 2020-25 period, which will see leakage reduce by 25% over the 10 years to 2030.

The summer of 2025 was particularly warm and dry for a prolonged period and as a result has meant it has been a challenging year for all water companies trying to meet their targets. Despite a record number of leaks found and repaired in our area, our outturn position for 2025-26 is 34 ML/d; this is some 3.2 ML/d higher than our target but does represent a 1.3 ML/d improvement over the previous year’s outturn position (35.3 ML/d). As well as continuing to find and repair more leaks over the next few years, we continue to invest in innovative ways of improving our leakage performance. For example, in the last year we have adopted new AI-enabled network monitoring to identify and locate leaks more efficiently, as well as managing our assets in a way which reduces the likelihood of failure in the first place. We remain confident we will deliver against the challenging targets we have been set by 2030.

Per Capita Consumption (PCC)	
Target:	<148.5 litres per head per day
Actual (2025-26):	154.1 litres per head per day

During 2025-26, we focused on establishing the demand reduction department’s structure and clearly defining roles and responsibilities. This foundational work has positioned us strongly to implement a robust customer-side leak notification process, leveraging smart meter data, alongside trialling virtual water efficiency support applications.

We have also maintained our commitment to in-person engagement by training a new in-house, field-based team to deliver water efficiency visits directly to customers. This ensures our customers have continued access to tailored, practical support.

In parallel, we have worked closely with our marketing and communications team to deliver targeted water efficiency campaigns, extending the reach and impact of our ‘use water wisely’ messaging beyond previous years.

To further strengthen our approach, we have partnered

with behavioural change specialists to support our teams to engage in more effective, impactful customer conversations which can drive long-term behavioural change.

By combining virtual and in-person support, sustained marketing activity, behavioural insight-led engagement and providing ‘fit-and-forget’ water-saving devices, we have established a comprehensive and effective approach. This integrated strategy positions us well to deliver against our Per Capita Consumption (PCC) reduction targets in the future to 2030.

Our PCC target is considered stretching as it requires sustained reductions in household water use, despite external factors which are largely outside our control. These include increasing customer demand, driven by warmer, drier weather patterns, as well as a reliance on customer engagement and voluntary behavioural change.

This challenge is evidenced by prior year performance, where consumption was 157 ML/d, demonstrating the scale of reduction required to have achieved the current target. Delivering against this target would therefore represent a material improvement on historical performance.

Achieving meaningful reductions depends on successfully influencing long-term customer behaviour at scale, supported by the effective rollout and utilisation of smart water meter data and targeted water efficiency interventions.

Business demand	
Target:	<30.8 million litres per day
Actual (2025-26):	31.9 million litres per day

During the past year, we have engaged closely with water retailers to better understand their preferences for communicating with customers on water efficiency. These insights have informed our collaborative delivery approach, ensuring alignment with retailer priorities and customer needs.

Building on this, we have undertaken water efficiency support visits across a range of business premises, as well as partnering with retailers to deliver targeted programmes within schools, hospitality venues, hotels and leisure centres. These initiatives have enabled us to broaden our reach and provide tailored, sector-specific support.

Executive remuneration

Looking ahead, we plan to further enhance this work through to 2030, by exploring opportunities for water reuse at suitable business sites and supporting more sustainable and efficient water use across the non-household sector.

The business demand target is considered stretching as it relies on influencing water-use behaviours across a diverse range of non-household customers, where the Company has limited direct control. Delivery is dependent on effective collaboration with retailers, varying levels of customer engagement and the successful implementation of efficiency measures within operational environments, which often have competing commercial priorities.

This is evidenced by prior year performance, where business demand was 32.2 MI/d in 2024-25, demonstrating the scale of reduction required to have achieved the current target. Delivering against this target therefore represents a material improvement on past performance.

In addition, external factors such as economic activity, business growth and seasonal demand patterns can materially affect water consumption. Achieving the target therefore requires sustained engagement, effective partnership working and consistent behavioural change across the non-household customer base.

Carbon net zero	
Target:	<7,004 tCO ₂ e
Actual (2025-26):	7,383 tCO ₂ e

Our target is based on our Ofwat performance commitment and to achieve the stretch target we will need to reduce our carbon by 6.48% from 2025-26 emissions. More than 80% 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 a worsening of the 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.

Serious pollutions / discharge compliance	
Target:	0 serious pollutions / 100% discharge compliance
Actual (2025-26):	0 serious pollutions / 100% discharge compliance

The target of zero serious pollution incidents and 100% discharge consent compliance is a stretching target as achieving this level of performance requires sustained vigilance, strong operational discipline and continued focus on compliance across the business.

By way of context, the Environment Agency's shadow Environmental Performance Assessment for water only companies in 2024 reported only 94.5% of water treatment works were compliant with numeric permit conditions for discharging treated effluent. This represents a deterioration from 97.5% compliance in 2023, with category two serious pollution incidents recorded across the sector.

Against this backdrop, the Company's achievement of zero serious pollution incidents and 100% compliance represents a strong outperformance relative to industry trends and reflects the continued commitment and diligence of our operational teams.



Customer measure of experience (C-MeX)	
Target:	4 th
Actual (2025-26):	2 nd

(Out of 17 water companies)

C-MeX is aligned to the Company's performance commitment, with stretch performance based on achieving a 1st place ranking.

We pride ourselves on delivering excellent customer service and consistently perform strongly across a range of customer metrics, including C-MeX, complaints and complaints handling.

During the year, we improved our C-MeX ranking from 4th place in the prior financial year to 2nd place. This represents a strong outcome, particularly in the context of significant operational change, including the transition of customers to metered billing and wider system enhancements. Notwithstanding these changes, performance remained at a high level, with the Company narrowly missing a 1st place position.

Our Independent Challenge Group (ICG) has continued to develop through the year and has increased its scope and engagement with the company. It has developed focused sub-groups in key areas considered to be the most important for consumers, including vulnerability and affordability, environment, demand reduction and communications.

The development of the ICG membership has widened the areas where it can provide support and challenge. We will continue to work with the ICG to strengthen our focus on the services and outcomes which are most important to our customers, in turn supporting our C-MeX ranking.

Developer measure of experience (D-MeX)	
Target:	4 th
Actual (2025-26):	2 nd

(Out of 17 water companies)

During 2025-26, changes to the weighting of D-MeX qualitative and quantitative performance resulted in a single large developer accounting for approximately 33% of the overall score. Expectations from large developers, particularly in relation to additional services, continue to increase and these large developers will score us lower if we do not step up to meet their expectations.

In response, we have increased the frequency of account management engagement with our largest developers, including Self-Lay Providers (SLPs) and New Appointees and Variations (NAVs), to better understand their requirements and ensure our services meet, and where possible exceed, expectations. We have low volumes of new connections in our area, which means every single survey has to count to maintain great performance, as all water companies' levels of service are strong in this area.

These engagements are led by specialists within the Developer Services team to support timely, accurate and high-quality responses.

Business customer and retailer measure of experience (BR-MeX)	
Target:	4 th
Actual (2025-26):	1 st

(Out of 17 water companies)

We have also made strong progress in strengthening relationships with business customers and retailers during the year, alongside targeted data cleansing activity to improve performance against the Market Performance Framework. Retailer expectations for additional market services, including credit support and meter reading services, continue to evolve. To support this, a dedicated Wholesale Services Manager has been appointed to lead performance and engagement.

We continue to recognise the impact of the smart water meter rollout programme on non-household customers, particularly in relation to communication and potential supply interruptions. Robust processes are in place to make sure all non-household customers are contacted in advance and works are planned, wherever possible, to minimise disruption and reflect business requirements.

Reflecting these improvements, the Company moved from a BR-MeX position of 5th in Q1 to 2nd in Q4, with significant improvements in other relevant market performance rankings, as assessed through Ofwat's market performance framework and reported through industry performance reporting mechanisms. Achieving 1st place represents sector-leading performance and demonstrates sustained delivery against measures which are independently assessed and benchmarked across the market.

Notwithstanding this strong performance, the target remains stretching. Maintaining a 1st place ranking requires consistent outperformance across multiple metrics within Ofwat's performance framework, in a competitive and evolving market where peer companies are also seeking to improve. Performance is influenced by external factors, including retailer behaviours, market-wide data quality and increasing customer expectations, which are not fully within the Company's control. As a result, sustaining a top ranking, particularly 1st position, requires continuous improvement, operational discipline and ongoing investment in systems, processes and customer engagement.

Executive remuneration

Interruptions to supply	
Target:	<05:00 mins
Actual (2025-26):	04:53 mins

The target for supply interruptions represents a recognised industry stretch level, set by Ofwat. The Company's stretch target, of 2 minutes 39 seconds, is materially lower than the performance of all other water companies in 2024-25, and only one other company has achieved a lower level over the past four years. By comparison, the industry average for 2024-25 was 22 minutes and 48 seconds.

Maintaining performance at this level is inherently challenging, particularly as further reductions deliver diminishing returns when starting from an already industry-leading position. Continued delivery of this outcome remains heavily reliant on targeted infrastructure improvements, including the installation of new pressure-reducing valves (PRVs) which are scheduled for the later stages of the 2025-30 investment period. The combination of sustained outperformance, high dependency on capital investment and limited sector-wide precedents demonstrate this target remains stretching.

Compliance Risk Index (CRI) / Water quality contacts		
Water quality contacts	Target:	<0.44
	Actual (2025):	0.56
Compliance Risk Index	Target:	<1.83
	Actual (2025-26):	0.45

The Compliance Risk Index (CRI) is a measure designed by the Drinking Water Inspectorate to illustrate the risk arising from treated water compliance failures. It adds together failures in water supply zones, at treatment works and at service reservoirs, dividing these by the total population served, the volume of water supplied daily and the total service reservoir capacity of the company.

The CRI score measure remains a stretching target, reflecting the sensitivity of the metric to isolated events and asset condition. Turbidity failures at individual water supply sites, arising from the condition of sample lines and associated assets, can have a disproportionate outcome. A single turbidity failure has the potential to materially affect performance against the target. The Company is progressing a significant sample line recovery programme to address known risks and improve resilience; however, this represents only one category of asset. Sustained performance against this stretching target requires the ongoing maintenance and reliability of a wide range of operational assets across our supply area, including the production and distribution of potable water. The inherent sensitivity of the measure, combined with the reliance on asset condition and proactive intervention, demonstrates why this target remains challenging to achieve consistently.

Water quality contacts increased in 2025 due to heightened media coverage, increased customer awareness and the expansion of customer contact channels, making it easier for customers to raise concerns and enquiries. Combined with higher levels of lead-related enquiries following smart water meter installations, this has increased the sensitivity of the measure. As a result, the target of 0.44 remains stretching.

Employee engagement	
Target:	76%
Actual (2025-26):	78%

At the start of the 2025 financial year, we embarked on a journey to share our strategic vision with all colleagues to drive our plan forward to 2030. Central to this has been a renewed focus on employee engagement, communication and continuous improvement; recognising that an engaged and motivated workforce is critical to delivering sustainable outcomes for customers, communities and the environment.

Over the course of the year, the Company has seen an improvement in employee engagement, with overall engagement increasing from 74% to 78%. This improvement reflects the impact of clearer strategic alignment, increased leadership visibility and stronger two way communication across the business. Colleagues have reported a greater understanding of how their roles contribute to the Company's long-term objectives, as well as increased confidence in leadership and decision making.

Key initiatives supporting this progress have included leadership briefings, the embedding of regular team conversations and the use of feedback from the 'Your Voice' employee engagement survey to inform targeted action plans at both company and functional levels. These actions have focused on areas such as regular performance and development conversations, wellbeing, recognition and inclusion, helping to foster a culture of accountability, collaboration and continuous improvement.

The Committee recognises that while this uplift represents positive momentum, maintaining and further improving engagement remains an ongoing priority to 2030. Continued focus will be placed on listening to colleagues, measuring progress and ensuring engagement initiatives remain closely aligned to business priorities and the evolving needs of the workforce.

Our target of 76% is stretching as the average employee engagement score across the water sector currently sits around 72%, with the broader UK average at 65% to 69%. Therefore, we are aligned with industry and high-performing benchmarks.



Health and safety	
Target:	0 RIDDOR reportable incidents
Actual (2025-26):	0 RIDDOR reportable incidents

Our culture of 'Safety, Always' remained a strategic focus throughout 2025-26, with continued investment in strengthening the Company's safety culture, risk management processes and an expansion of our occupational health and wellbeing arrangements. The Company maintained an excellent safety record with no major RIDDOR reportable incidents or lost-time injuries involving direct employees. This achievement is recognised through a period of significant organisational growth with increased operational and construction activity associated with the 2025-30 investment and the Havant Thicket Reservoir programme. The success was also recognised through the company achieving the RoSPA Order of Distinction for its 21st Consecutive Gold award, due to sustained high standards of health and safety management and continuous improvement across the business.

Social tariff	
Target:	17,500 on social tariff
Actual (2025-26):	19,859 on social tariff

The social tariff target is based on the Company's business plan ambition to support 27,500 customers by 2030 (equivalent to approximately 2,500 additional customers per year based on FY25 performance). For 2025-26, the target was set at 17,500 customers, with a stretch target of 20,000.

The Company is committed to ensuring water bills remain affordable for all customers, including those on low incomes, through the provision of our social tariff scheme. This forms a key part of the Company's broader affordability and vulnerability strategy, particularly in the context of increased smart water meter penetration across the customer base.

Against this framework, the stretch target of 20,000 customers was considered particularly challenging. During the year, the Company supported 19,859 customers through its social tariff, representing strong performance against a stretching target. In addition, support for vulnerable customers was further enhanced through the WaterSure tariff, with the number of eligible disabled and large-family customers increasing by 27 to a total of 259.

Executive remuneration

Our financial measures for the core business

Prior-year financial metrics we made up of 20% of the overall bonus, split between EBITDA (15%) and cash (5%).

This year, financial metrics contribute 40% of the overall bonus and include a broader set of measures.

Financial bonus thresholds have been set to ensure the business maintains financial resilience, which is essential to preserving funding capacity, supporting credit quality and enabling continued investment in critical infrastructure. EBITDA (10%) remains a key profitability measure. Bonus payout starts at the Board-approved budget of £17.8 million (threshold); target (50%) and stretch (100%) require delivery of £19.8 million and £21.8 million respectively – i.e. £2 million and £4 million outperformance versus budget. Achieving stretch requires c.22% outperformance, which is deliberately stretching given largely fixed revenues; delivery therefore depends primarily on tight cost control and maximising non-appointed revenue.

Operating cashflow (5%) is included to focus on cash generated from core operations (excluding financing and investing) and is a measure the whole business can influence. The threshold is set at the prior-year outturn (£10.4 million). Target (50%) and stretch (100%) are set at £15 million and £20 million respectively, requiring material improvement on last year's performance.

Our credit rating with Moody's has been added to the bonus metrics this year. Moody's Baa2 credit rating is vital for the business to maintain investor confidence and secure cost-effective financing for significant infrastructure projects, particularly Havant Thicket Reservoir. A solid rating confirms financial resilience to Ofwat, allowing the Company to manage high leverage and maintain liquidity. There is no threshold or target, the measure is set at stretch (100%) only.

The chart below shows a summary of the metrics and targets used to determine the 2025-26 annual bonus awards for the core business.

Annual bonus metrics for the core business									
Category	KPI	Measures	Bonus%	Good looks like	Units	FY25 Actual	Threshold (0%)	Target (50%)	Stretch (100%)
Environment	Demand reduction	Leakage	6%	Reducing	MI/d (TYRA)	35.4	35.4	30.8	26.2
		PCC / Business demand	6%	Reducing	l/pers/d	157 32.2	157 32.2	148.5 30.8	140 29.4
	Net Zero	Carbon	6%	Reducing	tonnes co2e	7444	7444	7004	6565
		Serious pollutions / Discharge compliance	6%	Zero /100% compliance	#	0 100%	- 100%	- 100%	0 100%
Customer	Customer experience	C-MeX	6%	Leading	Rank	4 th	8 th	4 th	1 st
		D-MeX / BR-MeX	6%	Leading	Rank	4 th N/A	8 th 8 th	4 th 4 th	1 st 1 st
			Interruptions	6%	Reducing	hh:mm:ss	00:02:01	-	00:05:00
	Service reliability	CRI / Water quality contacts	6%	Reducing	Index	0.45 0.49	2 0.49	1.83 0.44	1.66 0.39
Community and people		Staff engagement	6%	Increasing	%	74%	74%	76%	80%
	H&S	Reducing		#RIDDORs	Zero	-	-	Zero	
	Social tariffs	6%	Increasing	#	14280	14280	17500	20000	
Total			60%						

Annual bonus metrics for the core business – financial									
Category	KPI	Measures	Bonus%	Good looks like	Units	FY25 Actual	Threshold (0%)	Target (50%)	Stretch (100%)
Totex	Opex expenditure	Operating efficiency vs FD	10%	Reducing	£m	N/A	41.3	39.3	37.3
		Capex expenditure	5%	Increasing	£m	N/A	42.3	52.5	62.8
		Price Control Deliverables	5%	Outperforming	£m	N/A	90%	100%	110%
Financial	Profitability	EBITDA	10%	Increasing	£m	£14.9m	17.8	19.8	21.8
	Cashflow	Operating cashflow	5%	Increasing		£10.4m	10.4	15	20
	Credit rating	Moody's rating	5%	Maintain			-	-	Baa2
	Total			40%					

Totex (total expenditure) measures are linked to Ofwat's final determination and comprise:

- Opex – day-to-day operating costs
- Capex – investment in long term assets.

Annual budgets are Board approved and aligned to the final determination allowances. Threshold performance (0%) is set at budget.

Opex performance rewards sustained cost control. Outperformance requires delivery of cost reductions relative to the budget: £1 million savings to achieve target (50%) and a challenging £4 million reduction for stretch (100%), representing a material improvement on planned efficiency.

Capex performance incentivises accelerated delivery of the capital programme, recognising the operational and risk benefits of bringing investment forward. The threshold is set at the budgeted £42.3 million. Target performance (50%) requires delivery £10.2 million above the budget (£52.5 million), with stretch (100%) set at £62.8 million, equating to a 48% in year increase versus the plan and representing a deliberately stretching level of execution.

Price Control Deliverables (PCDs) are specific, measurable outputs which Ofwat requires the Company to deliver in 2025-30; 6% of the annual bonus has been aligned to three of the PCDs:

- Smart metering (number of meters installed)
- Mains renewals (kilometres of pipe replaced)
- Lead pipe replacements (number of schools where pipes have been replaced).

Ninety per cent of the volumes across each measure trigger the threshold, with target and stretch set at 100% and 110% respectively.

These targets are stretching in individual ways. Lead pipe replacements require working inside school buildings, often during very narrow windows (e.g. the summer holidays) to avoid disruption. Smart water metering requires the meter to be installed, which involves significant customer engagement, and for the meter to successfully transmit data, which is reliant on telecommunications infrastructure and software integration.

While Portsmouth Water is an industry leader in mains renewals, maintaining a rate which is more than double the sector average requires sustained, high-intensity delivery.

The performance-related pay detailed above has been funded through totex in line with the regulatory framework and compliant with Ofwat's guidance on remuneration.

Executive remuneration

Havant Thicket Reservoir executive bonus

The Havant Thicket Reservoir project has a delivery team which is largely independent of the rest of the operational business. As such, it is appropriate to apply a separate set of bonus metrics to ensure the Executive Directors and delivery team are incentivised and rewarded for the business outcomes they can influence.

In designing the Havant Thicket Reservoir short-term incentive scorecard, the Committee adopted six performance measures directly aligned to the successful delivery of the project and the outcomes it is expected to deliver for customers, communities and the environment.

Recognising that C-MeX is already a core performance measure, the Committee determined it should also be included within the Havant Thicket Reservoir scorecard. This recognises that customer experience is a shared responsibility across the business, including the reservoir team.

C-MeX provides an objective, externally-assessed measure of residential customer satisfaction and reflects how effectively the Company delivers the outcomes which matter most to customers. As the reservoir and its associated infrastructure will serve customers and operate within the Company's catchment area, project delivery decisions directly influence customer confidence, experience and trust.

Inclusion of C-MeX therefore incentivises the Havant Thicket Reservoir team to remain aligned with customer outcomes, corporate reputation and regulatory expectations, and reinforces their accountability to maintain high standards of customer experience throughout delivery of this nationally significant project.

Health and safety and staff engagement remain core performance measures. The safe delivery of the reservoir is fundamental to the project's success, protecting employees, contractors, the public and the environment. Strong health and safety performance is therefore critical to maintaining regulatory confidence, operational continuity and the Company's reputation.

Whilst staff engagement is assessed as part of the core business, team results are reviewed independently to reflect the dedicated nature of the Havant Thicket Reservoir delivery team and to ensure continued focus on engagement, wellbeing and motivation throughout the project lifecycle.

Given the scale, cost, complexity and long-term strategic importance of the Havant Thicket Reservoir project to the Company's water resilience, the Committee determined that construction should carry the highest weighting of 40%. This reflects the central role of high-quality, timely and cost-effective delivery of the reservoir and associated pipeline infrastructure in achieving the projects intended outcomes for customers, communities and the environment.

The remaining five measures have each been assigned equal weighting, reinforcing the Committee's view that high standards of performance across environmental and customer commitments, safety, stakeholder engagement and operational delivery are collectively essential to the overall success of the project.

Consistent with the core performance commitment scorecard, the Committee assesses bonus awards, where appropriate, against three performance levels: threshold, target and stretch.

The table on the following page provides further information about how the annual bonus components are determined.

Havant Thicket Reservoir bonus metrics									
Category	KPI	Measures	Bonus %	Good looks like	Units	FY25 Actual	Threshold (0%)	Target (50%)	Stretch (100%)
Environment	Environment mitigation and compensation	Environmental commitments - audit compliance score	4%	Improving	%	93%	90%	94%	95%
	Planning and consents	Discharge planning requirements - # green RAG rated submissions	4%	No delays to construction	#	Delay to dual pipeline	21	22	23
Customer	Customer experience	C-MeX (company wide)	4%	Leading	Rank	4 th	8 th	4 th	1 st
	Construction delivery	Reservoir and pipeline: earthworks	40%	On track	m ³	0	538,704	571,212	603,720
Community	Community and people	Staff engagement/ H&S (company wide)	4%	Increasing	%	74%	74%	75%	80%
	Stakeholder engagement	Stakeholder plan - annual customer and stakeholder survey	4%	Board target >70%	%	74%	70%	75%	80%
Total			60%						

Executive remuneration

Havant Thicket Reservoir environment, customers and community measures

How targets were set and why we think they are stretching

Environmental commitments audit compliance score	
Target:	94%
Actual (2025-26):	95%

The client delivery team, including professionally qualified ecologists and environmental scientists, carries out a monthly audit of contractor performance. This audit is based on Environment Agency guidance, covering prevention and management systems, monitoring and incidents in areas such as surface and ground water, air quality, noise and vibration, lighting, traffic management, waste management and ecological protection. This includes preventative action, such as observations and training, and reactive measures in response to incidents.

The target was set based on a full year of performance data gathered in the previous year, which saw an average performance score of 93% and a minimum score of 89%. Environmental performance in the previous year had been challenging, with all the topsoil removed and heavy rain leading to having to address high levels of silt and iron, both on the reservoir site and entering the site from the northern woodland area. As such, a minimum average score was set at 90%, the target was 94% (an improvement on the previous year) and the stretch was set at 95% (which would require significant improvements).

Discharging planning conditions

Green RAG status submission	
Target:	22
Actual (2025-26):	23

The impact of unforeseen ground conditions caused delay to completion of the detailed design and discharge of planning conditions relating to the reservoir. Under the hybrid planning permission for the reservoir, conditions needed to be submitted for discharge by October 2026. In the previous financial year, it was envisaged that delays to the design could present a risk to meeting the deadline.

Similarly, the commencement of the dual pipeline depended on discharging pre-commencement planning conditions, so expediting design and discharge would be beneficial to securing the earliest possible commencement date.

A tracker was established and the main works contractors were requested to expedite the design and planning process to take 23 specific planning conditions off the critical path (to maintain float in the programme). These would be measured by achieving a green RAG rating.

A threshold of 21, target of 22 and a stretch of all 23 conditions maintaining a green RAG rating was set.

Construction delivery:

Earthworks	
Target:	571k m ³
Actual (2025-26):	590k m ³

The majority of construction activity planned in 2025 was earthworks. At the start of the earthworks season a performance target was established, based on the total planned monthly cubic metres of earthworks.

The contractor performance target did not take account of delay due to compensation events for delay associated with rainfall. As a result, an adjustment was made to the targets, based on average rainfall evidenced by local meteorological data.

Earthworks performance was not proven by reference to previous years of data and there was a reasonable risk of underperformance as the construction team went through a learning curve linked to the performance of the plant, operators, design and construction quality thresholds, environmental impacts and safety.

As such, the stretch target utilised the baseline programme, the target assumed 5% less productivity than planned and the threshold target assumed 10% lower productivity, which would be expected to lead to pain-share under the terms of the contract.

These targets were proven to be appropriate. By the end of the earthworks season, the target threshold had not been met, however the project manager instructed the contractor to keep plant machinery and operators on site beyond the end of the earthworks season. As a result, the team was able to achieve two additional weeks of work. The stretch was not achieved, but the target was exceeded.

Stakeholder engagement:

Annual survey response for stakeholder support	
Target:	75%
Actual (2025-26):	83%

The client delivery team completes an annual survey of stakeholder satisfaction. The previous year saw stakeholder support drop from 80% (at the time of the original planning application in 2021) to 74%. This was due mostly to local concerns about association of the project with the Southern Water recycling project. Support was projected to continue to fall, considering feedback from the planning authority, stakeholder groups and growing media focus on local protestor action.

As such, a threshold of 74% was set, with a target of 75% (an improvement on the previous year) and a stretch of 80% (which would require a step change in engagement across the project).

Havant Thicket Reservoir financial measures

As with the annual bonus, the reservoir financial measures carry a 40% weighting. Measures are set company wide and aligned with the Company measure, comprising EBITDA, operating cashflow and Moody's credit rating, each contributing 5% to the total bonus.

Totex measures are project specific and comprise capex delivery and submission of the Cost Adjustment Mechanism (CAM) 2, each weighted at 10% of the total bonus.

The capex threshold is aligned to the Havant Thicket Reservoir annual budget of £58.24 million. Target performance (50%) requires delivery of £65.52 million (+£7.28 million), with stretch (100%) set at £72.8 million (+£14.56 million), representing a 25% in year increase versus the plan and a deliberately stretching level of delivery.

Ofwat is currently reviewing the second Cost Adjustment Mechanism submission (CAM2) for Havant Thicket Reservoir, which seeks funding for additional alignment works and activities. This is a binary measure, with 100% payable only on successful submission of CAM2 to Ofwat; no threshold or target levels apply.

Havant Thicket Reservoir metrics - financial									
Category	KPI	Measures	Bonus%	Good looks like	Units	FY25 Actual	Threshold (0%)	Target (50%)	Stretch (100%)
Totex	Capex expenditure	Capital delivery v FD	10%	Increasing	£m		58.24	65.52	72.8
	CAM2	Submission	10%	Assessed			Assessed		
Financial (company-wide targets)	Profitability	EBITDA	10%	Increasing	£m	14.9	17.8	19.8	21.8
	Cashflow	Operating cashflow	5%	Increasing	£m	10.4	10.4	15	20
	Credit rating	Moody's rating	5%	Maintain			-	-	Baa2
Total			40%						

The Committee undertook a detailed review and robust challenge of the Havant Thicket Reservoir performance targets and related remuneration outcomes, exercising independent judgement and discretion, including the ability to override formulaic outcomes where appropriate and assess performance in the round.

Executive remuneration

Annual report on remuneration

Directors' remuneration as a single figure (audited information)

Remuneration is analysed by Director below:

	Salary/ Fee	Benefits	Annual bonus (Paid)	Annual bonus (Deferred)	LTIP (Deferred)	Sub-total	Pension	Total 2026	Total 2025	Movement
Executive:										
C R Taylor	232	53	80	34	290	689	7	696	754	(58)
J C Milner	175	11	46	20	149	401	26	427	432	(5)
Non-Executive:										
Christopher Deacon	68	–	–	–	–	68	–	68	60	8
Lara Stoimenova	37	–	–	–	–	37	–	37	33	4
Sharon Darcy	39	–	–	–	–	39	–	39	33	6
Chris Loughlin	41	–	–	–	–	41	–	41		41
	592	64	126	54	439	1,275	33	1,308	1,312	(4)

As previously described, 30% of the annual bonus and 100% of the LTIP are deferred.

In relation to the malus and clawback provisions, the Audit and Risk Committee considered the results of the review of GSS compliance failures, including directly discussing the findings with the assurance providers without management being present. Based on that review, the Committee, which includes the Chair of the Remuneration Committee, concluded that there were no grounds to invoke the malus and clawback provisions within the Executive Directors' contracts in relation to the historic GSS compliance failures.

Based on this being the first year of the 2025-30 period and the Havant Thicket Reservoir LTIP metrics subject to the CAM2 determination, LTIP has been calculated on the assumption that 100% of metrics will be achieved.

Performance-related award schemes (annual bonus (variable pay) and LTIP)

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 and financial objectives. This includes a short-term annual element paid in the first half of the next financial year and a deferred element for two years, payable July 2028.

Year-on-year movements for the Executives are shown below:

Chief Executive Officer (C R Taylor)

Year	Salary/ Fee	Taxable benefits			Bonus schemes			Sub-total	Pension	Total
		Car	Medical insurance	Other	Annual bonus (Paid)	Annual bonus (Deferred)	LTIP (Deferred)			
£000										
2026	232	10	2	41	80	34	290	689	7	696
2025	222	10	2	21	68	126	291	740	14	754
Movement	10	–	–	20	12	(92)	(1)	(51)	(7)	(58)

Chief Financial Officer (J C Milner)

Year	Salary/ Fee	Taxable benefits			Bonus schemes			Sub-total	Pension	Total
		Car	Medical insurance	Other	Annual bonus (Paid)	Annual bonus (Deferred)	LTIP (Deferred)			
£000										
2026	175	10	1	–	46	20	149	401	26	427
2025	165	10	–	–	40	36	145	396	36	432
Movement	10	–	1	–	6	(16)	4	5	(10)	(5)

Executive remuneration

Details of the annual executive bonus are shown below:

Chief Executive Officer (C R Taylor)

	Bonus scheme	Bonus objectives	Bonus	Bonus applicable salary	Bonus available	Scheme weighting	Metric weighting	Weighted bonus		Proportion paid in year		Proportion deferred		
			%	£000	£000		%	%	%	£000	%	£000	%	£000
Max. bonus	PWL	Environment	65	232	151	60	24	14.4	22	70	15	30	7	
		Customer					24	14.4	22				15	7
		Community					12	7.2	11				8	3
		Totex					20	12	18				13	5
		Financial					20	12	18				13	5
	HTR	Environment				8	3.2	5	4			1		
		Customer				44	17.6	27	19			8		
		Community				8	3.2	5	4			1		
		Totex				20	8	12	8			4		
		Financial				20	8	12	8			4		
Total			232	151	100		100	152		107	45			
Actual bonus	PWL	Environment	65	232	151	60	8	5	7	70	5	30	2	
		Customer					20	12	18				13	5
		Community					11	7	10				7	3
		Totex					15	9	13				9	4
		Financial					19	11	17				12	5
	HTR	Environment				8	3	5	3			1		
		Customer				35	14	21	15			6		
		Community				8	3	5	3			2		
		Totex				10	4	6	4			2		
		Financial				20	8	12	9			4		
Total			232	151	100		76	114		80	34			

Metric weighting: This is the total percentage associated with each objective (as shown on pages 122-127). For example, there are four metrics at 6%, each for the environment, totalling 24%.

Weighted bonus (%): This takes the scheme weighting and multiplies it by the metric weighting. For example, for Portsmouth Water's environment, the metric weighting is 24%, the weighted bonus is 60% (the proportion of the bonus associated to Portsmouth Water metrics) x 24% (environment weighting) = 14% (rounded).

Weighted bonus (£): This is the bonus available multiplied by the weighted bonus.

Details of the annual executive bonus are shown below:

Chief Financial Officer (J C Milner)

	Bonus scheme	Bonus objectives	Bonus	Bonus applicable salary	Bonus available	Scheme weighting	Metric weighting	Weighted bonus		Proportion paid in year		Proportion deferred		
			%	£000	£000		%	%	%	£000	%	£000	%	£000
Max. bonus	PWL	Environment	50	175	88	60	24	14.4	13	70	9	30	4	
		Customer					24	14.4	13				9	4
		Community					12	7.2	6				4	2
		Totex					20	12	11				8	3
		Financial					20	12	11				8	3
	HTR	Environment				8	3.2	3	2			1		
		Customer				44	17.6	15	11			4		
		Community				8	3.2	3	2			1		
		Totex				20	8	7	5			2		
		Financial				20	8	7	5			2		
Total			175	88	100		100	89		63	26			
Actual bonus	PWL	Environment	50	175	88	60	8	5	4	70	3	30	1	
		Customer					20	12	10				7	3
		Community					11	7	6				4	2
		Totex					15	9	8				5	2
		Financial					19	11	10				7	3
	HTR	Environment				8	3	3	2			1		
		Customer				35	14	12	9			4		
		Community				8	3	3	2			1		
		Totex				10	4	3	2			1		
		Financial				20	8	7	5			2		
Total			175	88	100		76	66		46	20			

Deferred values are shown below:

	Deferred amounts		
	2025-26 annual bonus	LTIP	Total
Executive:			
C R Taylor	34	290	324
J C Milner	20	149	169

Executive remuneration

2025-30 Long-term incentive scheme (LTIP)

As previously noted, the Committee focused on ensuring strong alignment with regulatory incentives when designing the core business and Havant Thicket Reservoir separate scorecards for the 2025-30 long-term incentive plan, reflecting the Company's 2025-30 business plan and Ofwat's expectations.

Core business LTIP

For the Portsmouth Water long-term incentive, the Committee aligned 80% of potential vesting to Return on Regulatory Equity (RoRE) and 20% to Environmental, Social, and Governance (ESG) measures.

RoRE is a well-established metric for executive incentives because it provides a single view of performance across the company's regulated activities. It reflects the combined impact of financial efficiency, operational performance, and customer outcomes. Environmental, Social and Governance (ESG) measures are included within the LTIP to ensure executive incentives are aligned with the delivery of long term sustainable outcomes and the Company's purpose and values.

ESG measures reinforce the importance of responsible environmental impact, strong culture, workforce engagement, health and safety and effective governance. Incorporating ESG measures into the LTIP framework ensures a portion of long term reward is linked directly to outcomes which support customers, communities and the environment, alongside financial performance. This balanced approach supports the Company's commitment to sustainable performance in the 2025-30 period, consistent with regulatory expectations and best practice in executive remuneration.

The RoRE metrics included within the LTIP align with Ofwat's RoRE framework, with totex-related RoRE performance assessed separately for wholesale and retail activities. The Committee excluded the financing RoRE from the incentive framework, as financing performance primarily reflects the Company's long-term debt portfolio and is not considered to be within the direct control of Executive Directors over the LTIP vesting period. LTIP performance against RoRE will therefore be assessed using controllable elements of the RoRE calculation, including retail cost performance, totex outperformance, delivery of performance commitments and price control deliverables.

Performance outcomes are assessed against defined threshold and target levels. Threshold vesting levels have been set by reference to the commitments in the original 2025-30 business plan, prior to application of additional stretch by the Board. Target performance reflects delivery of the full commitments set out in the Company's final 2025-30 business plan. Performance at threshold delivers 0% of the award and performance at target delivers 100%. Results between these points are paid on a pro-rated basis.

This approach ensures that LTIP outcomes are demonstrably aligned to regulatory delivery, performance in the round and achievement of outcomes valued by customers, communities and the environment, consistent with Ofwat guidance.

RoRE components

Retail

The Retail RoRE measure requires the Company to deliver high efficiency within a narrow financial and operational margin. Retail performance is driven by high-volume, low-margin activities, so small changes in service or cost can have a disproportionate effect on financial outcomes.

Portsmouth Water has a relatively small Regulatory Capital Value (RCV) compared with other companies in the sector. As a result, even modest retail penalties can have a magnified impact on overall RoRE.

The threshold is set at 1% outperformance (£0.3 million) and the target is set at 2% outperformance (£0.6 million).

Totex

The Totex RoRE measure considers both operating expenditure (opex) and capital expenditure (capex). Under the current regulatory regime, if the Company spends less than its allowed budget, it keeps a proportion of the savings. If it overspends, shareholders fund a proportion of the additional cost.

This measure helps ensure awards are paid only when the Company is generating value. If the business overspends, RoRE reduces and the total award opportunity decreases. The threshold is set at 5% of capex outperformance (£11 million). The target is set at 7% capex outperformance and 2% opex outperformance (£15.5 million in total).

Performance commitments

For the 2025-30 period, Portsmouth Water has committed to a set of performance targets which Ofwat describes as achievable but stretching.

The performance commitments feature in both the annual bonus, as an annual metric, and the long-term bonus targets which reward outperformance for the five-year period. Similarly to the annual bonus targets, the LTIP targets span operational efficiency, environmental performance and customer service.

- Leakage: 15% reduction by 2030 compared with 2024–25 levels
- Water use:
 - Households: reduce Per Capita consumption (PCC) by 7%.
 - Businesses: reduce non-household use by 9%
- Smart metering: roll out smart water meters to all customers
- Environmental targets:
 - Greenhouse gas emissions: 14–23% reduction in operational emissions
 - Biodiversity: targets for Biodiversity Net Gain (BNG)
- Customer service: maintain industry-leading performance in customer satisfaction (C-MeX) and developer services (D-MeX).
- Supply reliability: keep interruptions to an average of 2 minutes 5 seconds per property, significantly below the industry average.

The regulator and the company consider these targets ambitious for several reasons:

1. Regulator assessment: Ofwat explicitly describes the 2029–30 leakage and demand proposals as stretching and aligned to long-term water resource management plans
2. Step change in scale: the 2025-30 investment represents a 150% increase in capital expenditure compared with 2020-25
3. Efficiency pressure: Portsmouth Water must deliver these improvements while maintaining the lowest average bills in the country
4. Incentive risk: the plan includes Outcome Delivery Incentives (ODIs), where underperformance can result in financial penalties and outperformance can earn rewards.

For this measure, the LTIP threshold (0%) is set at a £3.2 million reward in 2025-30, reflecting a P50 (best estimate of 'normal' performance). The target (100%) is set at an £8 million reward, reflecting a P70 (a more stretching level of performance).

Executive remuneration

Price Control Deliverables (PCDs)

The Company's 2025-30 Price Control Deliverables (PCDs) form part of the annual bonus targets as well as the LTIP measures. The LTIP measures focus on the full 2025-30 period and are appropriate because they link executive incentives directly to the delivery of funded capital programmes and long-term regulatory commitments.

In the 2025-30 (AMP 8) price review, Ofwat introduced PCDs to help ensure companies deliver enhancement investments on time and to the required standard.

PCDs act as a 'money-back guarantee' for customers. If the Company does not deliver a PCD (e.g. smart water meter roll-out or mains renewal outputs), the associated funding must be returned to customers. Linking LTIP outcomes to PCD delivery helps incentivise timely delivery and protects both revenue and reputation. PCDs track delivery of major projects across the five-year cycle, which aligns with the LTIP vesting period.

PCDs are defined in terms of specific, measurable outputs – e.g. the number of smart water meters installed or the length of water mains renewed. This reduces subjectivity when assessing performance.

As the Company is undertaking a 150% increase in capital expenditure for 2025-30, the risk of project delays increases. Using PCDs as LTIP measures helps maintain focus on the step change in delivery required.

For this measure, both the threshold (0%) and the target (100%) are set at a £0 penalty. Any delivery failure would result in no bonus being paid for this metric.

Across the four components, the threshold (0%) is set at £14.5 million of outperformance and the target (100%) is set at £24.1 million of outperformance across the five-year period.

The table below details the LTIP components.

Core business LTIP metrics						
Category	KPI (22-23 Prices)	Threshold (0%)	Target (100%)	Assessment	Example actual performance	Assessed contribution
RoRE - Retail	Retail cost outperformance	1% or £0.3m	2% or £0.6m	Retail variance	+£0.7m	+£0.4m
RoRE - Totex	Totex outperformance	5% Capex or £11.0m	7% Capex/2% Opex or £15.5m	Totex variance	+£14.0m	+£3.0m
RoRE - PCs	Performance commitment reward	£3.2m / P50	£8.0m / P70	PC variance	+£5.0m	+£1.8m
RoRE - PCDs		£0m penalty	£0m penalty	PCD variance	-£1.0m	-£1.0m
Outperformance		£14.5m	£24.1m	Total	+£18.7m	
LTIP Outperformance	Outperformance >£14.5m		£9.6m	% Outperformance	+£4.2m	44%

Havant Thicket Reservoir LTIP

In designing the Havant Thicket Reservoir long-term incentive element, the Committee agreed six delivery-based milestones aligned to time, cost, quality and the environmental and community outcomes. These milestones reflect Ofwat's expectations that performance-related pay should be clearly linked to the delivery of long-term outcomes in the public interest and assessed on a performance-in-the-round basis.

Consistent with the short-term incentive framework, the Havant Thicket Reservoir long-term incentive is structured to reward the successful delivery of the reservoir in a manner which supports customers, communities and the environment. The project is expected to reduce environmental risk to sensitive chalk streams, enhance community facilities and improve long-term water resilience in the south of England. The incentive measures therefore focus on timely, efficient and high-quality delivery of the reservoir and its associated infrastructure, alongside the achievement of environmental and community benefits.

Performance outcomes under the Havant Thicket Reservoir LTIP are assessed against defined threshold and maximum vesting levels, consistent with the methodology applied across the wider 2025-30 long-term incentive framework. Threshold vesting applies where delivery is achieved with agreed tolerance levels for time and cost, while maximum vesting is available where delivery is achieved ahead of plan and/or efficiency saving are realised. This structure is intended to reinforce effective cost control, disciplined project delivery and value for money for customers.

While the overall incentive framework and milestone structure have been established, detailed milestone definitions will be finalised following completion of the CAM2 process and will be detailed in the 2026-27 regulatory reporting period. This ensures performance targets remain robust, appropriate and aligned with the latest regulatory and delivery information, while maintaining consistency with Ofwat guidance and the 2025-30 regulatory period through to dry commissioning, expected by 2030.

Vesting arrangements

Under previous arrangements, LTIP awards were assessed and paid at the end of the relevant five-year investment cycle. The Committee determined that for 2025-30, the long-term incentive arrangements for both Portsmouth Water and Havant Thicket Reservoir LTIPs should move to a phased vesting structure, comprising a three-year and a five-year assessment period.

Up to 30% of potential vesting is assessed after three years, based on performance delivered to date and forecast performance for the remainder of the 2025-30 period, with the remaining, up to 70%, assessed after five years, based on actual performance outcomes as reported in Ofwat's Annual Performance Report. This approach strengthens alignment with regulatory reporting cycles, enhances accountability for delivery during 2025-30 and ensures that LTIP outcomes reflect both in-period progress and final performance.

In recognition of the CEO's and CFO's strong performance during the year, and their significantly expanded role remit arising from the scale, complexity and strategic importance of the Havant Thicket Reservoir project, the Committee has approved an increase to the maximum LTIP opportunity from 113% to 125% of base salary for the CEO and from 76% to 85% of base salary for the CFO.

The project represents the Company's largest investment programme and requires sustained senior leadership oversight across multiple dimensions, including regulatory engagement, delivery governance, financial resilience, risk management, stakeholder confidence and long term operational integration.

The Committee considers the increased LTIP opportunity appropriately reflects the additional responsibilities in leading and overseeing the successful delivery of this significant infrastructure project, while maintaining strong performance across the core regulated business. The revised LTIP limits continue to align reward with the achievement of long-term outcomes for customers, communities and the environment, consistent with the Company's strategy and regulatory expectations.

Executive remuneration

The current projected LTIP bonus is shown below:

	Maximum LTIP	Provision FY26	LTIP earned in a year	Deferred %	Deferred (£)
Executive:					
C R Taylor	290	100%	290	100%	290
J C Milner	149	100%	149	100%	149

For the FY26, from a financial perspective, LTIP achievement has been provided for at 100%. This reflects the fact that the relevant measures are assessed over the full 2025–30 period and that the Company currently plans to meet its targets over that timeframe.

This represents a prudent approach, recognising both the long-term nature of the assessment period and the need to avoid premature under-recognition of expected achievement and a potential cliff edge. The provision will be kept under continual review as we move through the five-year period and will be adjusted as appropriate to reflect performance, delivery risk and any changes in outlook. Any payments made will be subject to actual performance and the Remuneration Committee's discretion. The long-term measures associated with Havant Thicket Reservoir will be finalised once the final determination for the Cost Adjustment Mechanism (CAM2) has been received.

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:						
	2020	2021	2022	2023	2024	2025	2026
Total remuneration excluding pension (£000)	240	275	287	209	336	754	696

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 prior financial year compared to the average for all employees across the business:

		Chief Executive Officer	Average for all employees
% change in:	Base salary ¹	4.5	3.5
	Benefits ²	0	0

¹ This increase represents the impact of the annual pay award on the average employee salary and includes impact from individual's promotions.

² There were no changes made to the underlying value of benefit payments provided during the year.

CEO ratio reporting for the year ended 31 March.

CEO ratio reporting for the year ended 31 March 2026

The Companies (Miscellaneous Reporting) Regulations 2018 introduced new legislation in respect of reporting the ratio of CEO pay compared to other employees. The table below shows this information produced in line with the regulation:

		2024	2025	2026
CEO total pay as ratio of the following:	25 th percentile	13:1	13:1	11:1
	50 th percentile	10:1	9:1	8:1
	75 th percentile	7:1	6:1	5:1

This report was approved by the Board on 29 June 2026. The Company believes the 50th percentile ratio is consistent with the Company's general employee pay, reward and progressive policies due to the pay grade structure in place.

Directors' report

The Directors have pleasure in presenting their Directors' Report for the year ended 31 March 2026.

Principal activity and business review

The principal activity of the Company and a detailed review of its operations, strategy and business model is provided in the Chair's and Chief Executive's Statements on pages 8 to 14 and the Strategic Report on pages 20 to 43.

Financial risk management objectives and policies

A detailed review of the Company's financial risk management objectives and the policies employed are set out in the Strategic Report on pages 56 to 65.

Financial results and dividends

The Company's profit before tax amounts to £4.0 million (2025: loss before tax of £1.7 million). After deducting a tax charge of £1.1 million (2025: £0.6 million), a profit of £2.9 million has been transferred to reserves (2025: £1.1 million).

The Directors have proposed a final dividend in respect of the year ended 31 March 2026 of £3.0 million (final dividend in respect of the year ended 31 March 2025: £2.9 million).

Fixed assets

Capital expenditure on tangible fixed assets was £100.4 million (2025: £67.7 million) and on intangible fixed assets was £13.7 million (2025: £11.2 million). Information relating to these and other changes in fixed assets is shown in Note 11 and 12 to the accounts.

The Directors are of the opinion the current market value of the land and buildings included in tangible fixed assets is in excess of the value shown in the balance sheet. As they are held for operational purposes, no professional valuation has been obtained and the excess has not, therefore, been quantified.

Exceptional items

An exceptional item charge of £1.216 million has been reported. An exceptional charge of £0.337 million was recorded in 2025 relating to the costs arising from additional advice and preparation work incurred by the Brockhampton pension scheme relating to a further insurance buy-in during the next year. The exceptional costs recorded in 2026 relate to an accounting charge arising on the completion of the insurance buy-in in June 2026 relating to the equalisation of member benefits, along with additional advisory costs incurred.

Share capital

There was no new capital issue during the year. Full details of the current issued capital can be found in Note 22 to the Financial Statements.

Going concern

The Directors believe, after due and careful consideration, that it is reasonable to assume the Group and Company will have adequate resources, for a period of 12 months from the date of approval of these financial statements, to continue operations and discharge their obligations as they fall due.

Political donations

The Company does not make political donations and so no political donations were made during the year (2025: Enil).

Board of Directors

The Directors who held office at the date of signing of these financial statements are shown on pages 82 to 83.

Mr C Deacon, Mr C R Taylor, Mr C Loughlin, Dr L Stoimenova, Mr J C Milner and Mrs S Darcy, who retire by rotation, offer themselves for re-election.

No Directors have any interest in the share capital of the Company.

The Company maintains a comprehensive insurance programme, renewed annually, which includes Directors' and Officers' liability cover.

Substantial shareholder

At 31 March 2026, Portsmouth Water Holdings Limited owned the entire voting capital of the Company.

Regulatory accounts

A set of accounts for regulatory purposes is required by the Water Services Regulation Authority. These accounts relate solely to the regulated water supply business and copies can be found in Section 7 of this report.

Engaging our people

Direct communication with employees is maintained through a weekly management blog and a series of staff presentations. In addition, the Joint Information and Consultative Committee met regularly and ensured effective communication with employee representatives.

The Directors consider health, safety and wellbeing to be an important issue, with the active participation of employee safety representatives taking place through the Health and Safety Committee. During the year, a number of initiatives were undertaken which ensured health and safety continues to maintain its high profile throughout the organisation.

Further details relating to employees, including matters relating to our diversity, equality and employment of disabled persons, are set out on pages 50 to 51.

Environment

The Company is aware of its obligations to both customers, communities and the environment. In recent years, it has adopted an active approach to environmental issues and further information is set out in the Strategic Report on pages 44 to 54. The total amount of Greenhouse Gas Emissions resulting from the Company's operations in the financial year is estimated to be 6,722.69 tCO₂e* (2024-25: 7,406.76 tCO₂e**).

**Excludes PG&S and capital projects, includes emissions avoided through renewable electricity export*

***Excludes PG&S and capital projects*

Licence requirement

In accordance with its Instrument of Appointment under the Water Industry Act 1991, the Directors are of the opinion the Company is in compliance with paragraph 3.1 of Condition 'P' of that Instrument. A copy of the ring-fencing certificate can be found on page 98 of this report.

Independent auditors

KPMG LLP were appointed as auditors of the Group during 2017 in respect of the year ended 31 March 2018. In 2020 they were re-appointed following a tender review.

In so far as the Directors are aware:

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

Statement of Directors' responsibilities in respect of the annual report, the strategic report, the Directors' report and the financial statements

The Directors are responsible for preparing the annual report and consolidated financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law, the Directors must not approve the financial statements unless they are satisfied they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates which are reasonable and prudent
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements

- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records which are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements which are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider the Annual Performance Report and Accounts 2025-2026, taken as a whole, is fair, balanced and understandable and provides the information necessary for stakeholders to assess the Company's position and performance, business model and strategy. Each of the Directors confirms that, to the best of their knowledge:

- the Company's financial statements give a true and fair view of the assets, liabilities and financial position of the Company and of the loss of the Company
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties it faces.

In the case of each Director in office at the date the Directors' Report is approved:

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

By order of the Board

H Hewson

ACG Company Secretary
29 June 2026

06

Financial statements



Independent auditor's report to the members of Portsmouth Water Limited

Opinion

We have audited the financial statements of Portsmouth Water Limited ("the Company") for the year ended 31 March 2026 which comprise the Income Statement, Statement of Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements as contained within 146 to 181:

- give a true and fair view of the state of the Company's affairs as at 31 March 2026 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded the Company's financial position means this is realistic. They have also concluded there are no material uncertainties which could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period"). In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified and concur with the Directors' assessment there is not a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements which were reasonable at the time they were made, the above conclusions are not a guarantee 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 which could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Audit and Risk Committee minutes.
- Considering remuneration incentive schemes and performance targets for management and Directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries.

On this audit we do not believe there is a fraud risk related to revenue recognition because of the regulated nature of the revenues recognised and limited opportunity or incentive for management to manipulate these revenues.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test, based on risk criteria, and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations which could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards) and from inspection of the Company's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations which directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation, taxation legislation and pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation.

We identified the following areas as those most likely to have such an effect: compliance with Ofwat regulatory legislation, environmental legislation, water quality, health and safety, anti-bribery, employment law, GDPR compliance and certain aspects of company legislation, recognising the nature of the Company's activities and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement.

We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Directors are responsible for the other information, which comprises the strategic report, the Directors' report and the governance report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements

audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the strategic report and the Directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 145, the Directors are responsible for: the preparation of the financial statements and for being satisfied they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at: www.frc.org.uk/auditorsresponsibilities

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

James Ledward
(Senior Statutory Auditor)

for and on behalf of
KPMG LLP
Statutory Auditor
Chartered Accountants
New Kings Court, Tollgate,
Chandlers Ford
S053 3LG

29 June 2026

Income statement

For the year ended 31 March 2026

	Notes	2026 £000	2025 £000
Turnover	3	60,122	49,596
Operating costs:			
Employment costs	4	(14,085)	(13,218)
Impairment of trade and other receivables	14	(235)	(696)
Electricity and power costs		(5,435)	(4,776)
Depreciation and amortisation of fixed assets		(9,408)	(6,882)
Other operational expenditure		(20,341)	(17,842)
Other operating income		667	515
Operating profit before loss on disposal of fixed assets and exceptional items		11,285	6,697
Analysed as:			
Earnings before interest, tax, depreciation & amortisation ('EBITDA')		20,693	13,579
Depreciation of tangible fixed assets	12	(6,929)	(6,419)
Amortisation of intangible fixed assets	11	(2,479)	(463)
Operating profit before loss on disposal of fixed assets and exceptional items		11,285	6,697
Profit / (loss) on disposal of fixed assets		15	(26)
Exceptional items – settlement and related costs on pension scheme	24	(1,216)	(337)
Operating profit after loss on disposal of fixed assets and exceptional items	6	10,084	6,334
Interest receivable and similar income	7	746	4,056
Other finance income	24	-	-
Interest payable and similar charges	8	(6,787)	(8,685)
Profit on ordinary activities before tax		4,043	1,705
Taxation on profit on ordinary activities		(1,175)	(567)
Profit for the financial year		2,868	1,138

The accompanying notes form part of these financial statements.

The income statement has been prepared on the basis that all operations are continuing.

The presentation of the Income Statement has been amended from the format used in prior years. Operating costs are now reported by their nature rather than by function, which is considered more relevant for users of these financial statements.

Statement of other comprehensive income

For the year ended 31 March 2026

	Notes	2026 £000	2025 £000
Profit for the financial year		2,868	1,138
Remeasurement of net defined benefit pension scheme asset	24	1,736	818
Deferred tax relating to movements on pension scheme asset		(434)	(204)
Fair value movements on hedge accounted financial instruments		565	791
Deferred tax relating to movements on hedged financial instruments		(141)	(198)
Total comprehensive profit for the year		4,594	2,345

The accompanying notes form part of these financial statements.

Statement of financial position

For the year ended 31 March 2026

	Notes	2026 £000	2026 £000	2025 £000	2025 £000
Fixed assets					
Intangible fixed assets	11	38,466		26,845	
Tangible fixed assets	12	443,667		334,273	
			482,133		361,118
Current assets					
Investments (including short-term deposits)	13	2		2	
Stock		1,010		570	
Debtors	14	50,928		24,754	
Cash and cash equivalents	15	26,892		50,775	
			78,832		76,101
Creditors: Amounts falling due within one year	16		(84,884)		(61,797)
Net current (liabilities)/assets			(6,052)		14,304
Total assets less current liabilities			476,081		375,422
Creditors: Amounts falling due after more than one year	17		(303,153)		(226,576)
Deferred income	18		(55,349)		(34,717)
Provisions for liabilities	19		(11,049)		(9,299)
Net assets excluding pension asset			106,530		104,830
Pension asset	24		-		-
Net assets including pension asset			106,530		104,830
Capital and reserves					
Called up share capital	22		81,078		81,078
Share premium account			9,382		9,382
Capital redemption reserve			3,250		3,250
Cash flow hedge reserve			1,302		878
Profit and loss account			11,518		10,242
Shareholders' funds			106,530		104,830

The accompanying notes form part of these financial statements.

The accounts were authorised for issue and approved by the Board on 29 June 2026 and signed on its behalf by:

J C Milner
Director
Company Number: 2536455

Statement of changes in equity

For the year ended 31 March 2026

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Cashflow 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 defined benefit pension scheme	-	-	-	-	818	818
Movement on deferred tax relating to hedging financial instruments and pension scheme	-	-	-	(198)	(204)	(402)
Total comprehensive loss for the year	-	-	-	593	1,752	2,345
Dividends paid in the year	-	-	-	-	(3,223)	(3,223)
Balance at 31 March 2025	81,078	9,382	3,250	878	10,242	104,830
Profit for the year	-	-	-	-	2,868	2,868
Remeasurement of hedging financial instruments	-	-	-	565	-	565
Remeasurement of defined benefit pension scheme	-	-	-	-	1,736	1,736
Movement on deferred tax relating to hedging financial instruments and pension scheme	-	-	-	(141)	(434)	(575)
Total comprehensive profit for the year	-	-	-	424	4,170	4,594
Dividends paid in the year	-	-	-	-	(2,894)	(2,894)
Balance at 31 March 2026	81,078	9,382	3,250	1,302	11,518	106,530

The retained earnings balance represents accumulated profits and losses, net of dividends paid and other adjustments.

The share premium reserve contains the premium arising on the issue of equity shares, net of issue costs.

The accompanying notes form part of these financial statements.

Statement of cash flows

For the year ended 31 March 2026

	Notes	2026 £000	2026 £000	2025 £000	2025 £000
Cash generated from operations	23		36,859		10,431
Tax paid		-		-	
Net cash inflow from operating activities			36,859		10,431
Cash flows from investing activities					
Purchase of tangible fixed assets		(100,371)		(67,746)	
Purchase of intangible fixed assets		(13,663)		(11,185)	
Short-term investment net deposits (made)/received		-		90,000	
Finance lease payments		(68)		(66)	
Capital contributions received		1,274		1,242	
Sale of tangible fixed assets and investment properties		15		-	
Interest and investment income received		995		6,181	
Net cash generated in investing activities			(111,818)		18,426
Cash flows from financing activities					
Receipts from new subordinated inter-group loan		-		30,000	
Repayment of subordinated inter-group loan		-		(20,623)	
Receipts from draw down on RCF loans		65,000		-	
Equity dividends paid		(2,894)		(3,223)	
Interest and related finance costs paid		(11,030)		(10,195)	
Net cash used in financing activities			51,076		(4,041)
Net increase / (decrease) in cash and cash equivalents			(23,883)		24,816
Cash and cash equivalents at beginning of year			50,775		25,959
Cash and cash equivalents at end of year	15		26,892		50,775
Comprising:					
Cash at bank and in hand			3,892		6,835
Cash equivalents			23,000		43,940
	15		26,892		50,775

The accompanying notes form part of these financial statements.



Notes to financial statements

For the year ended 31 March 2026

1. Accounting policies

Portsmouth Water Limited ('the Company') is a private company incorporated in England and Wales under the Companies Act 2006. The Company's registered office is Brockhampton Springs, West Street, Havant, PO9 1LG and the UK registered number is 2536455.

The financial statements of Portsmouth Water Limited have been prepared in compliance with UK Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS 102) and the Companies Act 2006.

The principal accounting policies applied in the preparation of these financial statements are set out below. The financial statements are presented in pounds sterling.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken from disclosing information relating to financial instruments and key management personnel remuneration. The Company's financial statements have been consolidated into the group accounts of Ancala Forna Holdco Limited, copies of which are available from the Company's registered office, and into the group accounts of Ancala Forna Topco Pte Limited, which is registered in Singapore.

In view of the licence conditions under which the Company operates as a water supplier, it is required to publish information about its annual results as if it were a company covered by the Listing Rules of the Financial Conduct Authority, except where it is considered inappropriate to do so. Earnings per share disclosures are not presented as the Company is a wholly owned subsidiary. Segmental reporting has not been presented as, in the opinion of the Directors, the Company undertakes a single activity.

The principal accounting policies are as follows:

1.1 Basis of preparation

These financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain assets which have been measured at fair value.

The preparation of financial statements requires the use of critical accounting estimates. They also require management to apply judgement in the application of group accounting policies. Those areas which involve a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

1.2 Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons. The Directors have prepared detailed monthly cash flow forecasts that cover 12 months from the date of approval of these financial statements, being the required going concern review period. These forecasts include consideration of a number of scenarios around the Havant Thicket Reservoir (HTR) project, including project construction cost overruns and delays. To this, core business downsides have also been considered, including continued cost inflation pressures on a number of key cost inputs and the impact of higher bank borrowing rates. The forecasts indicate that, taking account of these 'severe but plausible' downside scenarios, and allowing for appropriate mitigating management actions where necessary, the Company will have sufficient funds

through its cash balances, operating cash flows and its existing undrawn loan facilities, to meet all its liabilities as they fall due over the going concern review period.

In addition to the going concern period, the Directors have also considered the longer period associated with its required Viability Statement review, which is set out in detail on pages 71 to 77. This additional viability review covers the remainder of 2025-30 (AMP 8), with trading and investment activities in line with the business plan agreed with Ofwat, as well as the likely extension through the 2030-2035 period (AMP9). Funding available for this period assumes full utilisation of the existing bank facilities in place through to 2028, along with the extension of these or similar facilities, with increased equity and additional borrowings needed to fund the full capital expenditure programmes agreed for 2025-30 and the completion of the construction of HTR. This includes the expected increase to the reservoir construction costs, to include the additional work related to the use of recycled water from Southern Water's planned new plant into the reservoir, and other changes to the reservoir construction plan identified to date.

It is assumed the increased funding needed will be fully supported by Ofwat and Southern Water and reflected in a further cost adjustment mechanism (CAM2). This agreement will support the extension of the existing loan facilities, as well as additional loan or equity funding to be provided by external parties or the Ancala parent shareholder. Negotiations on this additional funding have commenced and are progressing to plan, with agreements expected to be in place before the end of 2026.

In conclusion, after reviewing the Company's operating budgets, investment plans and financing arrangements, the Directors consider the Company will have sufficient funds available to allow it to continue to meet its liabilities as they fall due, for a period of at least 12 months from the date of approval of the financial statements. Accordingly, the Directors are satisfied it is appropriate to prepare the financial statements on a going concern basis.

1.3 Turnover

Turnover, which excludes value added tax, represents the income receivable for goods and services provided to external customers in the ordinary course of business. It comprises the value of water supplied and other related charges and some non-regulated activities. Revenue is recognised at the fair value of the consideration received or receivable at the point of service delivery.

Turnover from the regulated water business includes amounts billed for the year, together with an estimation of amounts unbilled at the year-end for measured water customers.

Unmeasured income bills are based on the rateable value of properties. Unmeasured customers were previously billed annually in advance on or around 1 June. For the year ended 31 March 2027, customers are now billed annually in advance on or around 1 March. Amounts invoiced in advance are not recognised in turnover until earned.

Measured income arises from customers who have meters fitted at their premises and amounts billed are based on actual water consumption. The estimation of the amounts unbilled at the year end uses a defined methodology based upon an estimate of unbilled water consumed by the customer, which is calculated from historical customer data.

Turnover also includes the amortisation of capital contributions received in connection with the enhancement of mains infrastructure. This is set out further below.

1.4 Tangible fixed assets

The Company holds both above-ground assets and a below-ground infrastructure network of mains.

Mains infrastructure (below-ground assets)

Infrastructure assets comprise a network of mains, communications pipes and boundary boxes. The Company undertakes expenditure on this network 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, network performance 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, which is assessed as being between 40 and 100 years, on a straight line basis. There are no expected residual values assigned to infrastructure assets.

Other fixed assets (above-ground assets)

Other fixed assets comprise reservoirs, land and buildings, pumping plant, vehicles, mobile plant and office equipment. The cost of other fixed assets is the purchase cost, together with incidental expenses of acquisition and directly attributable labour costs which are incremental to the Company.

Where the asset concerned is considered to be a qualifying asset, incidental expenses also include attributable borrowing costs incurred during the period by the Company, relating to the acquisition and construction of the asset. A qualifying asset is one that necessarily takes a substantial period of time to be acquired and constructed ready for its intended use, which is normally well in excess of one year.

Depreciation

Depreciation is provided on all fixed assets, except for 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:

- Buildings and reservoirs: 100-150 years
- Reservoir inspections: 10 years
- Pumping and other plant : 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.

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Costs incurred relating to the development of longer-term projects and related assets, that meet all 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 it is available for use
- It is probable the project will generate economic benefits for use in the future
- There are adequate technical, financial and other resources available to complete the development
- The Company is able to reliably measure the expenditure attributable to the project.

Where the intangible asset concerned is considered to be a qualifying asset, incidental expenses capitalised also include attributable borrowing costs incurred during the period by the Company, relating to the acquisition, design and development of the asset. A qualifying asset is one that necessarily takes a substantial period of time to be acquired and developed ready for its intended use, which is normally well in excess of one year.

Amortisation is recognised to write off the cost of intangible assets over their useful lives on the following basis:

- Software: 3-5 years
- Other development projects: 5-10 years.

1.6 Capital contributions

Mains contributions

In certain circumstances third parties make non-returnable contributions towards the cost of specific infrastructure assets. In accordance with the FRS 102 requirement to include fixed assets at cost, such contributions are treated as deferred income and released to the income statement over the useful economic life of the corresponding assets.

Infrastructure charges

Infrastructure charges are made in respect of new connections in accordance with Ofwat's Charging Rules for New Connection Services.

These charges are treated as mains contributions as explained above.

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For the year ended 31 March 2026

1.7 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract which 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 FRS 102 and recorded at fair value. Fair value is determined on the basis of discounted cashflow models and supported by valuations provided by counterparties 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 FRS 102 (S12.17) hedge accounting will be applied from the point the financial derivative was arranged on the basis of the required FRS 102 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 include long term loans 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.

1.8 Impairment

Assets other than those measured at fair value, are assessed for indicators of impairment at each statement of financial position date. If there is objective evidence of impairment, an impairment loss is recognised in the income statement.

Non-financial assets

Assets are impaired when evidence indicates 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 which would be received for the asset if it were to be sold at the reporting date.

1.9 Stocks

Stocks of raw materials are valued on a weighted average cost basis at the lower of cost or net realisable value. In accordance with established practice in the water industry, no value is placed upon the water in reservoirs, mains or in the course of treatment.

1.10 Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Company. All other leases are classified as operating leases. Assets held under finance leases are recognised initially at the fair value of the leased asset or, if lower, the present value of minimum lease payments at the inception of the lease.

The corresponding liability is included in the Statement of Financial Position as "finance lease liabilities" within creditors. Lease payments are apportioned between finance charges and reduction of the lease liability using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are included in tangible fixed assets and are depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term.

1.11 Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax is recognised on all-timing differences where the transactions or events which 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 they will be recovered.

Deferred tax is measured using rates of tax which 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.

1.12 Pension costs and other post-retirement benefits

Portsmouth Water Limited, a subsidiary undertaking, is the principal employer and its parent company, Brockhampton Holdings Limited, is the participating employer in the Brockhampton Pension Scheme ('the Scheme'). The Scheme is a defined benefit pension arrangement. The assets of the Scheme are held in a separate trustee-administered fund. As principal employer, Portsmouth Water Limited includes the Scheme pension asset in its financial statements.

Any current service costs are charged to the income statement and included as staff employment costs. Any 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 FRS 102, 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 an appropriate AA corporate bond rate. The Scheme assets are valued at fair value at the period end date.

The Scheme liabilities are offset against the Scheme assets to calculate either a net deficit or surplus. Any pension net surplus is only recognised to the extent the Company can benefit from the surplus through reduced levels of future normal contributions or from future refunds from the Scheme, in line with the requirements of FRS 102.

Deferred tax relating to any net pension deficit or surplus recorded is offset against the pension liability or asset and is not included with other deferred tax liabilities as part of the Company's reported deferred tax 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. From 31 March 2023, the Company ceased contributions into the Scheme and none of the pension net surplus is recognised at the year-end date.

In 2019 the Scheme's Trustees entered into a 'buy-in' arrangement with a specialist insurer to cover the payment of pensions to the pensioners as at that date. In June 2025, the Trustees entered into an additional 'buy-in' arrangement with the same insurer which covered the remaining scheme members. Further detailed information regarding the 'buy-in' transaction, the Scheme and its actuarial position for the year and as at 31 March 2026 is given in Note 24 to the Financial Statements.

The Company also operates a defined contribution pension scheme. The charge to the income statement amounts to the contributions payable to that scheme in respect of the accounting period.

1.13 Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation. The effect of the time value of money is not material and therefore the provisions are not discounted.

2. Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are based on historical experience and other factors, including expectations of future events which are believed to be reasonable under the circumstances.

The accounting estimates made will, by definition, seldom equal the actual results that outturn over time. Those estimates and assumptions which have a risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are set out below.

Capitalisation and useful economic lives of tangible fixed assets Mains infrastructure assets

Judgement is used in determining the extent to which work on existing mains infrastructure represents 'economic enhancement' and should be capitalised. This is assessed by reference to the extent that such assets are physically enhanced. Appropriately qualified and experienced company engineers are consulted as part of this process.

By the nature of below-ground assets, it is more difficult to directly establish remaining estimated useful economic lives ('UEL'). In setting the UELs, the Directors have consideration of a number of factors including the age and construction material of the pipes, historic experience in relation to both replacement and burst rates and industry averages. In particular, the range applied of 40 to 100 years is consistent with wider industry practice, which typically uses a range of between 50 and 200 years.

If the useful economic life of mains assets, with a UEL of 40-100 years, were to be extended by a further 10 years, this would generate a £101,000 (2025: £98,000) saving on depreciation charged in the year. If the useful economic life of these assets were to be reduced by 10 years, the impact on the depreciation charge would have been an additional charge of £135,000 (2025: £130,000).

Havant Thicket Reservoir

As a result of the programme to construct Havant Thicket Reservoir, at the year-end date the Company had incurred £249.3 million (2025: £152.0 million) of expenditure, including £38.3 million (2025: £22.4 million) of related borrowing costs incurred, which has been capitalised as a tangible fixed asset (asset under construction). These costs will ultimately be recovered through the operation of the reservoir asset in the business, and through a long-term, third-party contractual bulk supply arrangement in place with Southern Water and in line with an allowed separate price control mechanism.

While the related commercial bulk supply agreement was signed back in 2021, there remains judgement as to whether the project can be delivered within the regulatory allowance set for the separate Havant Thicket Reservoir price control.

The Company has concluded that amounts incurred in the construction of Havant Thicket Reservoir will ultimately be recovered in full and within the allowance set out in the price control due to the following factors:

Notes to financial statements

For the year ended 31 March 2026

- The project is progressing reasonably well, with the signing of all key construction contracts and agreement of revised project budgets and the current contractual cost adjustment mechanism (CAM1) with both Ofwat and Southern Water achieved in 2023.
- The cost adjustment mechanism provides a mechanism to mitigate adverse cost implications arising as a result of the planning and procurement process, including consideration of any further changes agreed between the parties relating to the long-term bulk supply agreement. A further contractual cost adjustment mechanism is currently under discussion with Southern Water and Ofwat (CAM2). This covers the additional construction costs associated with the revised reservoir plans, including re-routing and expansion of pipeline networks, and is expected to be finalised later in 2026.

Long-term contract arrangement – Havant Thicket Reservoir

The long-term bulk supply contract with Southern Water allows for the Company to receive an appropriate return on the capital investment made into the Havant Thicket Reservoir ('HTR') project, with amounts billable from contract commencement in 2021.

As water from the reservoir is not expected to be supplied to Southern Water under the bulk supply agreement until the reservoir becomes fully operational, revenues arising from the contract will not be recognised in turnover until this occurs. This is currently not expected to be until sometime after 2030, due to changes in scope on the construction project, as noted above.

The current bulk supply contract with Southern Water covers the period from 2021 through to 2100 (80 years).

Amounts billable under the contract before supply commences will therefore be held as a deferred revenue balance (see Note 18). The company had billed and received £26.7 million in total under the contract to 31 March 2026 (31 March 2025: £6.5 million).

As noted above, an update to the current HTR contract is under discussion with Southern Water and Ofwat.

3. Turnover

	2026 £000	2025 £000
Unmeasured household supplies	25,520	22,144
Measured household supplies	19,382	14,601
Non-household supplies	12,421	9,932
Bulk supply	781	1,022
Amortisation of developer contributions (Note 18)	834	749
Chargeable work	1,079	1,025
Deferred meter reading revenue	105	123
	60,122	49,596

Turnover is wholly attributable to water supply and related activities in the United Kingdom

4. Employment costs

	2026 £000	2025 £000
<i>Employment costs</i>		
Wages and salaries	21,504	16,681
Social security costs	2,774	1,856
Defined benefit pension costs (Note 24)	520	505
Defined contribution pension costs (Note 24)	2,549	2,083
	27,347	21,125
Costs transferred to capital schemes	(13,262)	(7,907)
Ordinary net employment costs charged to the income statement	14,085	13,218

	2026 Number	2025 Number
Average number of employees (full-time equivalents)		
Operations	236	184
Administration	154	146
	390	330

5. Directors' remuneration

Director remuneration	Highest paid Director 2026 £000	Highest paid Director 2025 £000	Total Directors' remuneration 2026 £000	Total Directors' remuneration 2025 £000
Total remuneration	689	740	1,275	1,262
Pension contributions	7	14	33	50
	696	754	1,308	1,312

Two Directors (2025: two) are accruing benefits under a defined contribution pension scheme.

No benefits are accruing to Directors under defined benefit pension schemes.

Further details relating to Directors' remuneration are set out in the Remuneration Committee Report on pages 114 to 143.

The information set out in that report, which is subject to audit, forms part of these financial statements.

6. Operating profit is stated after charging / (crediting)

	2026 £000	2025 £000
Depreciation - infrastructure assets	1,328	1,290
- non-infrastructure assets	5,601	5,129
Amortisation of intangible assets	2,479	463
Total depreciation & amortisation	9,408	6,882
(Gain) / loss on disposal of fixed assets	(15)	26
Business rates annual expenditure	1,554	1,529
Water abstraction charges	1,395	1,767
Guaranteed Standards Scheme non-performance charges	650	-
Hire of plant and machinery	14	22

Auditors' remuneration:

Fees payable to the current auditor for the audit of the Company's Annual Report and Accounts	208	195
Fees payable to the current auditor for other services:		
Audit-related assurance services - Annual Performance Review	72	72
Taxation compliance services	16	15
Other non-audit services		
Fees in respect of the Brockhampton Pension Scheme: Audit*	19	14
*Not payable by the Company		

7. Interest receivable and similar income

	2026 £000	2025 £000
Bank and short-term investment interest receivable	746	4,056
	746	4,056

Notes to financial statements

For the year ended 31 March 2026

8. Interest payable and similar charges

	2026 £000	2025 £000
Inflation-linked Bank RPI Artesian loan and CPI bond		
- Interest	7,701	7,423
- Indexation	9,567	7,388
Inflation-linked SWAP financial instrument		
- Fair value loss / (gain) at year end	969	(1,248)
- Amounts payable in the year	610	367
Bank revolving credit facilities		
- Interest	489	-
- Interest rate SWAP realised loss / (gain)	(34)	
Amortisation of fees relating to loans and borrowing facilities	1,115	1,451
Administration fees relating to loans and borrowing facilities	1,181	1,390
Inter-company loans		
- Interest	1,500	1,161
Finance lease interest charge	73	67
Debenture stock interest	5	5
Gross interest payable and similar charges	23,176	18,004
Less: borrowing costs capitalised:		
- Tangible fixed assets (Note 12)	(15,952)	(8,387)
- Intangible fixed assets (Note 11)	(437)	(932)
	6,787	8,685

For information, the indexation charge is based on the following inflation indices:

- RPI (July 2025: 406.2 and July 2024: 387.5)
- CPI (January 2026: 139.5 and January 2025: 135.4)

9. Taxation

	2026 £000	2025 £000
Current tax		
United Kingdom corporation tax at 25% (2025: 25%)	-	-
Deferred tax		
Origination and reversal of timing differences	1,179	597
Adjustment in respect of prior periods	(4)	(30)
	1,175	567
Tax charge / (credit) on loss on ordinary activities	1,175	567
Factors affecting the tax charge for the year		
Profit / (loss) on ordinary activities before tax	4,043	1,705
Profit / (loss) on ordinary activities multiplied by standard rate of UK corporation tax of 25% (2025: 25%)	1,011	426
Effect of:		
Fixed asset differences	166	159
Other tax adjustments	2	12
Prior year adjustment - deferred tax	(4)	(30)
Total tax charge / (credit) for year	1,175	567

Current tax – United Kingdom corporation tax at 25% (2025: 25%)

No current tax charges have been incurred for the year (2025: £nil). This is primarily due to the availability of tax relief on the Company's capital programme.

Deferred tax

Total deferred tax charged to the income statement was £1,175k (2025: £567k). 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 £29.8 million (2025: £21.9 million).

Offset against this is the deferred tax benefit of other timing differences – these primarily relate to unutilised tax losses. A deferred tax asset of £18.8 million (2025: £12.6 million) has been recognised in respect of tax losses because it is probable 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 £11 million (2025: £9.3 million). Details of the overall deferred tax net liability are set out in Note 19.

The deferred tax liability at 31 March 2026 has been calculated based on this 25% tax rate, reflecting the expected timing of the future reversal of the related timing differences (2025: 25%).

During the year beginning 1 April 2026, no net reversal of the Company's deferred tax assets and deferred tax liabilities is expected to occur due to the availability of timing differences to offset the Company's corporation tax charge for the year.

Notes to financial statements

For the year ended 31 March 2026

10. Dividends

	2026 £000	2025 £000
Equity: Ordinary		
Interim paid	-	-
Final paid	2,894	3,223
	2,894	3,223

Dividend policy for 2020-25 (AMP7) was set to align with the five-year business plan agreed with Ofwat. The policy was updated in 2022 to reflect guidance provided by Ofwat and to reflect a yield of 4% on the regulated equity of the Company, compared to 5% as set out in Ofwat's previously published dividend guidance for 2020-25.

Historically, dividends were calculated based upon two elements – a return on the equity component of the Regulatory Capital Value (RCV) and a recirculating element, which permits interest on certain inter-company loans receivable to be serviced. This second element was received by the Company in the form of interest payments from its parent company and did not result in any net cash outflow from the wider group. This recirculating element was stopped from 31 March 2023, as the parent company loan, including interest accrued, was fully repaid in July 2023 as part of the new shareholder equity investment.

The normal equity dividend from that point (year ended 31 March 2024) therefore reflected a 4% return on the average RCV of the company in the year, in line with the updated Ofwat guidance.

For 2025-30 (AMP8), the Ofwat guidance was updated such that a 4% dividend yield would only be considered reasonable when a company is performing in line with the final determination plans agreed and there are adequate levels of financial resilience available. Given the additional financial support needed for the increased costs related to Havant Thicket Reservoir, it was agreed the Company would, during the period of peak construction activity on the reservoir, reduce its standard dividend yield to 2% of the regulated equity of the Company.

The Board also considers adjustment (upwards or downwards) depending upon the following factors, which reflect financial resilience and overall Company performance:

- Overall financial performance of the appointed and non-appointed business
- The Company's performance against commitments to customers and stakeholders
- Demonstrating compliance with financeability tests to ensure sufficient liquidity for the medium term and testing the financial viability of the company
- Recognising regulatory requirements, in particular Licence Condition F.

Proposed dividend for financial year 2023-24 (paid in 2024-25):

The Directors recommended a total dividend of £3,223k, all being related to an equity dividend, which was paid in September 2024. As noted above, no recirculating dividend was paid.

No additional interim dividends were paid in the year to 31 March 2025.

Proposed dividend for financial year 2024-25 (paid in 2025-26):

The Directors recommended a total dividend of £2,894k, all being related to an equity dividend, which was paid in July 2025. As noted above, no recirculating dividend was paid.

No additional interim dividends were paid in the year to 31 March 2026.

Proposed dividend for financial year 2025-26 (to be paid in 2026-27):

The Directors are proposing a total dividend of £3,045k, all being related to an equity dividend. This dividend is expected to be paid before 30 September 2026.

Further analysis supporting the dividend paid in the financial year 2026 and proposed for payment in the financial year 2027 is included on pages 88 to 97.

11. Intangible fixed assets

	Development projects £000	Software including consultancy £000	Total £000
Cost			
At 1 April 2025	15,789	14,462	30,251
Additions	9,744	3,919	13,663
Borrowing costs capitalised	437	-	437
Disposals and asset write-offs	-	-	-
At 31 March 2026	25,970	18,381	44,351
Amortisation			
At 1 April 2025	-	3,406	3,406
Charge for the year	1,962	517	2,479
Disposals and asset write-offs	-	-	-
At 31 March 2026	1,962	3,923	5,885
Net book value			
At 31 March 2026	24,008	14,458	38,466
At 1 April 2025	15,789	11,056	26,845

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

	Development projects £000	Software including consultancy £000	Total £000
Cost			
At 1 April 2025	10,080	3,984	14,064
Additions	9,744	3,919	13,663
Borrowing costs capitalised	437	-	437
Transfer from / (to) tangible fixed asset and between categories	(364)	26	(338)
Transferred into completed intangible fixed assets	(3,909)	(4)	(3,913)
At 31 March 2026	15,988	7,925	23,913

Notes to financial statements

For the year ended 31 March 2026

12. Tangible fixed assets

	Freehold and leasehold land, buildings, reservoirs £000	Mains £000	Pumping plant £000	Vehicles, mobile plant and office equipment £000	Total £000
Cost					
At 1 April 2025	215,197	91,585	89,560	37,226	433,568
Additions	83,368	10,168	3,934	2,901	100,371
Borrowing costs capitalised	15,952	-	-	-	15,952
Disposals and asset write-offs	-	-	(5)	(75)	(80)
At 31 March 2026	314,517	101,753	93,489	40,052	549,811
Depreciation					
At 1 April 2025	17,669	12,976	43,315	25,335	99,295
Charge for the year	911	1,328	2,586	2,104	6,929
Disposals and asset write-offs	-	-	(5)	(75)	(80)
At 31 March 2026	18,580	14,304	45,896	27,364	106,144
Net book value					
At 31 March 2026	295,937	87,449	47,593	12,688	443,667
At 1 April 2025	197,528	78,609	46,245	11,891	334,273

Included in leasehold land above is land held under a long term (80-year) finance lease with a net book value of £1,358k (2025: £1,319k)

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

	Freehold and leasehold land, buildings, reservoirs £000	Mains £000	Pumping plant £000	Vehicles, mobile plant and office equipment £000	Total £000
Cost and net book value					
At 1 April 2025	153,998	6,018	17,800	5,403	183,219
Additions into WIP during the year	83,330	10,167	3,934	2,880	100,311
Borrowing costs capitalised	15,952	-	-	-	15,952
Transfer from / (to) intangible fixed assets and between categories	129	(4)	(30)	243	338
Transfers into completed tangible fixed assets	(11)	(3,292)	(81)	(10)	(3,394)
At 31 March 2026	253,398	12,889	21,623	8,516	296,426

Of the balance of assets in the course of construction, £249.3 million (2025: £152 million) relates to Havant Thicket Reservoir which includes capitalised borrowing costs of £38.3 million (2025: £22.4 million).

13. Current asset investments

	2026 £000	2025 £000
Unlisted investments	2	2
	2	2

14. Debtors

	2026 £000	2025 £000
Trade debtors	32,353	9,983
Amounts owed by Group companies	4,607	4,528
Prepayments	1,039	861
Accrued income	6,678	4,927
Financial derivatives (Note 20)	1,736	1,171
Other debtors	4,515	3,284
	50,928	24,754

All the above amounts fall due within one year, with the exception of the financial derivatives (see Note 20), and a security deposit of £1.1 million (2025: £1.1 million) in other debtors relating to the Havant Thicket Reservoir project.

As at 31 March 2026, trade debtors had a carrying value of £36.7 million (2025: £14.5million) before provision for bad debt. The increase in the Trade Debtor balances at 31 March 2026 from the prior year balance is largely due to the change in the annual billing date for most unmeasured customers from June to March.

Trade debtors in arrears are provided for on a sliding scale, depending on the age of related debt.

The amount of the provision for bad debts was £4.3 million as at 31 March 2026 (2025: £4.5 million), as noted further below.

	2026 £000	2025 £000
The ageing of these debtors was as follows:		
Up to 12 months	31,050	9,980
Over 12 months	5,622	4,498
	36,672	14,478

Debtors provided against relate to water charges for household and non-household customers, where experience in the water industry has shown, over time, it is likely there will be difficulties in recovering the water charges for the periods concerned.

Of the total £4.3 million provision (2025: £4.5 million), £98k (2025: £62k) relates to non-household debtors and £4.2 million (2025: £4.4 million) relates to household debtors.

	2026 £000	2025 £000
Movement on bad debt provision in the year:		
At 1 April 2025 / 2024	4,495	4,188
Provision for bad debt required in the year - income statement charge	485	696
Provisions released in year - income statement credit	(250)	-
Debt written off in the year as uncollectable (including fully provided debt over six-years-old)	(411)	(389)
At 31 March 2026 / 2025	4,319	4,495

The other classes within debtors contain balances which may be irrecoverable. The maximum exposure to credit risk at the reporting date is the recorded value of each class of debtor mentioned above. The Company does not hold any collateral as security for debt except in relation to non-household debt, where in accordance with the non-household market Terms of Business, collateral may be held in the form of cash deposits and guarantees to cover an element of non-household risk.

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For the year ended 31 March 2026

15. Cash and cash equivalents

	2026 £000	2025 £000
Cash at bank and in hand	3,892	6,835
Cash equivalents	23,000	43,940
	26,892	50,775

Cash equivalents relate to short-term bank deposits with a maturity <90 days from deposit.

16. Creditors: amounts falling due within one year

	2026 £000	2025 £000
Trade creditors	17,358	14,682
Customer advance billings and payments received on account	27,176	6,864
Intra-group subordinated loan (Note 17)	30,000	30,000
Other amounts owed to group companies	1,699	1,346
Accruals	3,332	3,366
Other creditors	1,710	1,678
Social security and other taxation	58	484
Finance lease liability (Note 25)	68	66
Financial derivatives (Note 20)	433	603
RCF bank loan facilities drawn down	-	-
Less: deferred arrangement costs	(1,094)	(1,095)
Accrued refinance fees	685	665
Water rates paid by customers in advance	3,459	3,138
	84,884	61,797

17. Creditors: amounts falling due after more than one year

	2026 £000	2025 £000
Bank RPI Artesian loan	154,608	147,416
Accrued bank loan refinance fees	1,499	1,847
RCF bank loan facilities drawn down	65,000	-
CPI Bond	82,773	80,340
Less: deferred arrangement costs	(3,194)	(4,314)
3% Perpetual debenture stock	60	60
3½% Perpetual debenture stock	185	185
4% Perpetual debenture stock	38	38
Finance lease liability (Note 25)	1,045	1,004
Financial derivatives (Note 20)	1,139	-
	303,153	226,576

Bank RPI Artesian loan

The bank RPI Artesian loan of £154.6 million (2025: £147.4 million) relates to a 30-year £66.5 million index-linked bank loan which was issued in June 2002 and is repayable in September 2032 and secured over the assets of the Company. The capital value of the loan is adjusted by the change in the Retail Prices Index from year to year. The fees associated with the loan issue of £1.7 million are amortised over the life of the loan. The balance shown above is net of the remaining deferred arrangement costs of £0.4 million (2025: £0.4 million). 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 a fixed rate of 3.635% per annum.

An exceptional charge of £4.5 million was incurred in 2022 relating to fees associated with the restructuring of the RPI Artesian loan. Of this exceptional charge, £2.2 million remains payable at 31 March 2026 (2025: £2.2 million), with £1.5 million falling due in over one year (2025: £2.2 million).

CPI bond

In March 2023, the company issued a £75 million 'CPI-linked' bond. At year end the bond had a revised book value of £82.8 million (2025: £80.3 million). 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 a fixed rate of 2.63% per annum.

Other bank and inter-group facilities and loans

Third-party facilities and loans

In March 2023, the company entered into a £155 million Syndicated Facility Agreement, with NatWest as the lead facility agent. This facility is made up of a separate £105 million Revolving Credit Facility (RCF), which matures in March 2028, and a £50 million 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 ODI performance measures.

In March 2023, a further £50 million bank facility was entered into with Lloyds Bank. This facility matures in 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 ODI performance measures.

In addition to these facilities, a further £15 million 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.

In the year to 31 March 2026, £65 million of loan facilities were drawn down, being the £50.0 million term-loan from NatWest and £15.0 million of RCF loan from Lloyds. These are primarily being used to fund the ongoing capital expenditure programmes, including the construction of Havant Thicket Reservoir.

Fees associated with the bond issued and the bank facilities are deferred and amortised over the duration of the bond or loan facility. The balance of fees deferred at the year-end date are off-set against the related bond or loan balance, as shown in Note 16 and Note 17 above.

Inter-group facilities

In March 2021 the company entered into an inter-group loan agreement with Portsmouth Water Holdings Limited, its immediate parent company, permitting borrowing to a total facility value of £50 million, initially drawing down £24.6 million. During the year to 31 March 2023, a further £16 million of additional group loans were provided via Portsmouth Water Holdings Limited. In March 2023, £20 million of the loan balance was capitalised through the issue of £20 million new ordinary shares, reducing the loan balance to £20.6 million.

At the same time, the remaining group loan facility, having reduced from £50 million to £30 million following the £20 million capitalisation, was increased from £30 million to £45 million. 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 £30 million. 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 fully repaid the existing £20.6 million inter-group loan provided by Portsmouth Water Holdings Limited.

18. Deferred income

	Capital contributions £000	Deferred HTR contract revenues £000	Total £000
At 1 April 2025	28,246	6,471	34,717
Additions	1,274	20,192	21,466
Release to turnover (Note 3)	(834)	-	(834)
At 31 March 2026	28,686	26,663	55,349

During the year, in line with the bulk supply contract with Southern Water relating to the Havant Thicket Reservoir contract, £20.2 million (2025: £nil) was billed to and paid by Southern Water. As detailed in Note 2, these amounts are held as deferred revenues until the reservoir construction is complete and the reservoir becomes operational.

Notes to financial statements

For the year ended 31 March 2026

19. Provisions for liabilities

	2026 £000	2025 £000
Deferred taxation:		
At 1 April 2025 / 2024	9,299	8,330
Charge / (credit) during the year to income statement	1,175	567
Charge during the year to other comprehensive income	575	402
At 31 March 2025 / 2026	11,049	9,299

The amount provided for deferred taxation represents timing differences caused by the excess of tax allowances over depreciation, net of the benefit of deferred tax assets in respect of unutilised tax losses and other timing differences. The deferred taxation provision balance relating to the defined benefit pension scheme is off set against the related net pension asset recognised (see Note 24).

	2026 £000	2025 £000
Total deferred taxation including deferred tax on pension asset:		
Accelerated capital allowances	29,559	21,947
Other timing differences (mainly tax losses)	(18,510)	(12,648)
	11,049	9,299
Pension asset (Note 24)	-	-
Total provision for deferred tax	11,049	9,299

	2026 £000	2025 £000
At 1 April 2025 / 24	9,299	8,330
Deferred tax charged/(credited) in income statement (note 9)	1,175	567
Deferred tax charged/(credited) to the statement of comprehensive income	575	402
At 31 March 2026 / 25	11,049	9,299

The deferred tax liability at 31 March 2026 has been calculated based on the current UK tax rate of 25%, reflecting the expected timing of reversal of the related timing differences (2025: 25%).

A deferred tax asset of £0.8 million (2025: £0.8 million) relating to the Corporate Interest Restriction rules on interest charges has not been recognised as there is insufficient evidence this asset would be recovered in future periods.

20. Derivative financial instruments

As part of the Company's risk management procedures, derivative financial instruments have been taken out. 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 drawdown on the RCF is expected and increase in line with the projected drawdown on the RCF in the period through to March 2028. In line with the FRS 102 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 2026 (also effective for year to 31 March 2025).
- 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 mismatch in the period through to September 2032. In line with the FRS 102 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 company had a long-term energy supply contract with fixed electricity rates which completed in March 2026. With the increased levels of energy cost variability (associated with the ongoing Middle East conflict), specific 'floating-to-fixed' swaps were put in place to manage an appropriate portion of this ongoing energy price risk and the cost of electricity. These monthly swaps have effective dates commencing in April 2026 through to March 2028 and cover between 30%-40% of the expected monthly electricity requirements through this period. In line with the FRS 102 requirements, these swaps are considered to be effective and qualify for hedge accounting in the period through to and at 31 March 2026.

The following balances, based on market valuations of the derivative financial instrument, have been recorded at the year-end date:

	2026 £000	2025 £000
Interest rate swap fair value asset (see Note 14)		
Due < 1 year	706	38
Due > 1 year	965	1,133
	1,671	1,171

RPI-CPI swap fair value liability (see Note 16 and 17)		
Due < 1 year	(433)	(603)
Due > 1 year	(1,139)	-
	(1,572)	(603)

Energy swap fair value asset (see Note 14)		
Due < 1 year	33	-
Due > 1 year	32	-
	65	-

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 £9.1 million in September 2025 to £99.0 million 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 FRS 102 (s.12.17) at the year-end date. Hedge accounting has been applied from the point the swap derivative contract was arranged on the basis of the criteria set out in FRS 102 (s.12.18).

The RPI-CPI swap was entered into with Lloyds Bank. Under the term of the swap, the Company pays an annual charge on 30 September each year from 2023 to 2032, based on increases in CPI applied to a capital value of £131.7 million (the value of the Artesian bank loan during 2023), plus an annual charge of £1.7 million, and receives an annual income based on increases in RPI applied to a capital value of £131.7 million. As noted above, the swap does not qualify for hedge accounting.

The energy swaps were entered into with Lloyds Bank. These are 'fixed for variable' electricity swaps with monthly purchases of between 672-744 MWh per month from April 2026 to March 2028. The fixed leg (paid by the Company monthly) pays at a range of £74.50-£97.90 per MWh, with the floating leg (received by the Company on the same date) paying at published UK Electricity 'next day baseload' rates. These swaps qualify as a hedging instrument under the conditions of FRS 102 (s.12.17) at the year-end date. Hedge accounting has been applied from the point the swap derivative contract was arranged on the basis of the criteria set out in FRS 102 (s.12.18).

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For the year ended 31 March 2026

20. Derivative financial instruments (continued)

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 related counterparties (ING Bank and Lloyds Bank) at the year-end date.

The following table indicates the periods in which the cash flows associated with swaps are expected to occur:

	Carrying amount (£000)	Expected cashflows < 1 year (£000)	Expected cashflows 1-2 years (£000)	Expected cashflows 2-5 years (£000)	Expected cashflows 5 years (£000)	Expected cashflows Total (£000)
Interest rate swaps (Hedge accounting applied)						
31 March 2026	1,671	730	1,038	-	-	1,768
31 March 2025	1,171	39	509	735	-	1,283
RPI-CPI swap (Hedge accounting not applied)						
31 March 2026	(1,572)	(442)	57	80	(1,598)	(1,903)
31 March 2025	(603)	(618)	320	107	(531)	(722)
Energy swaps (Hedge accounting applied)						
31 March 2026	65	34	34	-	-	68
31 March 2025	-	-	-	-	-	-

21. Financial instruments

The Company has financial instruments in the form of investments, cash and cash equivalents, intra-group loans, third-party loans, finance leases and financial derivatives.

The carrying values of the Company's financial assets and liabilities are summarised by category below:

	2026 £000	2025 £000
Financial assets:		
Current asset investment (Note 13)	2	2
Financial derivative assets (Note 14 / Note 20)	1,736	1,171
Cash and cash equivalents (Note 15)	26,892	50,775
	28,630	51,948
	2026 £000	2025 £000
Financial liabilities (Note 16 and 17):		
Bank RPI Artesian loan	154,608	147,416
Intra-group subordinated loan	30,000	30,000
CPI Bond	82,773	80,340
RCF bank loans drawn down	65,000	-
Finance leases	1,113	1,070
Financial derivatives	1,572	603
Deferred finance arrangement costs	(4,287)	(5,410)
Debenture stock	283	283
	331,062	254,302

21. Financial instruments (continued)

The Company's financial liabilities are further analysed between fixed and floating rates of interest as follows:

	Fixed rate 2026 (£000)	Fixed rate 2025 (£000)	Floating rate 2026 (£000)	Floating rate 2025 (£000)	Total 2026 (£000)	Total 2025 (£000)
Liabilities						
Bank RPI Artesian loan	154,608	147,416	-	-	154,608	147,416
Intra-group subordinated creditor	30,000	30,000	-	-	30,000	30,000
CPI Bond	82,773	80,340	-	-	82,773	80,340
RCF bank loans	-	-	65,000	-	65,000	-
Deferred finance arrangement costs	-	-	(4,287)	(5,410)	(4,287)	(5,410)
Finance lease	-	-	1,113	1,070	1,113	1,070
Financial derivative liabilities	-	-	1,572	603	1,572	603
Debenture stock	283	283	-	-	283	283
	267,664	258,039	63,398	(3,737)	331,062	254,302
			Weighted average interest rate %	Weighted average interest rate %	Weighted average period fixed Years	Weighted average period fixed Years
			2026	2025	2026	2025
Fixed rate						
Sterling						
Bank RPI Artesian loan			3.6	3.6	6	7
CPI Bond			2.6	2.6	11	12
Intra-group subordinated loan			5.0	5.0	-	-
			3.2	3.2	7	8

Interest on the floating rate financial liabilities are based on Sterling Overnight Index Average rates ('SONIA').

	2026 £000	2025 £000
The maturity of the financial liabilities is detailed below:		
In one year or less	29,408	29,574
In one to five years	62,078	(3,571)
In over five years	239,576	228,299
	331,062	254,302

The Company had undrawn borrowing facilities at 31 March 2026, in respect of which all conditions precedent had been met, as follows:

	2026 £000	2025 £000
Expiring within one year	-	15,000
Expiring between one and two years	105,000	-
Expiring between two and five years	50,000	205,000
Expiring in over five years	-	-
	155,000	220,000

The carrying amounts of the financial assets and liabilities shown above approximate to their fair value.

Notes to financial statements

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22. Called up share capital

	2026 £000	2025 £000
Authorised:		
Equity		
6,000,000 Ordinary shares of 10p each (2024: 6,000,000)	600	600
810,500,000 'A' Ordinary shares of 10p each (2024: 810,500,000)	81,050	81,050
	81,650	81,650
Non-equity		
3,250,000 Redeemable Preference Shares of £1 each (2024: 3,250,000)	3,250	3,250
Total	84,900	84,900
Allotted, called up and fully paid:		
4,265,197 Ordinary shares of 10p each (2025: 4,265,197)	427	427
806,509,162 'A' Ordinary shares of 10 p each (2025: 806,509,162)	80,651	80,651
	81,078	81,078

The Ordinary and 'A' Ordinary shareholders are entitled to receive dividends pari passu according to the amount paid up or credited as paid up on their shares. The Ordinary shares are the only class of share to carry voting rights. In a distribution on the winding up of the Company, the Ordinary and 'A' Ordinary shareholders are entitled to share the balance of any surplus assets pari passu according to the amount paid up or credited as paid up on their shares.

23. Notes to the statement of cash flows

	2026 £000	2025 £000
Cash generated from operations	£000	£000
Profit for the year before taxation	4,043	1,705
Adjustments for:		
Havant Thicket Reservoir contract revenues received	20,192	-
Finance costs recognised in income statement	6,787	8,685
Investment and other finance income recognised in income statement	(746)	(4,056)
Exceptional items – defined benefit pension scheme	1,216	337
Notional defined benefit scheme pension costs	520	505
Loss/(profit) on disposal of tangible fixed assets	(15)	26
Depreciation and amortisation of tangible and intangible fixed assets	9,408	6,882
Amortisation of deferred capital contributions	(834)	(749)
Movements in working capital:		
Stock (increase) / decrease	(440)	6
Debtors (increase) / decrease	(25,608)	(4,299)
Creditors increase / (decrease)	22,336	1,389
Cash generated from operations	36,859	10,431

23. Notes to the statement of cash flows (continued)

Reconciliation of net debt	At 1 April 2025 £000	Cash flow movement £000	Non-cash flow movement £000	At 31 March 2026 £000
Year to 31 March 2026				
Financial assets				
Current asset investments – short-term deposits	-	-	-	-
Financial derivative assets	1,171	-	565	1,736
Cash at bank and cash equivalents	50,775	(23,883)	-	26,892
	51,946	(23,883)	565	28,628
Financial liabilities				
RPI Artesian loan	(147,416)	-	(7,192)	(154,608)
CPI Bond	(80,340)	-	(2,433)	(82,773)
RCF bank loans	-	(65,000)	-	(65,000)
Intra-group subordinated loan	(30,000)	-	-	(30,000)
Finance lease	(1,070)	68	(111)	(1,113)
Financial derivative liabilities	(603)	610	(1,579)	(1,572)
Debenture stock	(283)	-	-	(283)
	(259,712)	(64,322)	(11,315)	(335,349)
Net debt	(207,766)	(88,205)	(10,750)	(306,721)

	At 1 April 2024 £000	Cash flow movement £000	Non-cash flow movement £000	At 31 March 2025 £000
Year to 31 March 2025				
Financial assets				
Current asset investments – short-term deposits	90,000	(90,000)	-	-
Financial derivative assets	380	-	791	1,171
Cash at bank and cash equivalents	25,959	24,816	-	50,775
	116,339	(65,184)	791	51,946
Financial liabilities				
RPI Artesian loan	(142,285)	-	(5,131)	(147,416)
CPI Bond	(78,026)	-	(2,314)	(80,340)
Intra-group subordinated loan	(20,623)	(9,377)	-	(30,000)
Finance lease	(1,041)	66	(95)	(1,070)
Financial derivative liabilities	(1,852)	-	1,249	(603)
Debenture stock	(283)	-	-	(283)
	(244,110)	(9,311)	(6,291)	(259,712)
Net debt	(127,771)	(74,495)	(5,500)	(207,766)

Non-cash flow movements primarily relate to loan indexation charges, finance leases and valuations of financial instruments.

Notes to financial statements

For the year ended 31 March 2026

24. Pensions

The Company is the principal employer and its parent company, Brockhampton Holdings Limited, is the participating employer in the Brockhampton Pension Scheme ('the Scheme'). The 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 the year to 31 March 2023, agreement was reached with the remaining active employee members of the 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 plan, with effect from 1 April 2023, and receive enhanced contributions from the Company. The closure of the Scheme to future accrual significantly reduced the ongoing risks to the Company. Future contributions payable by the Company to the Scheme ceased from 1 April 2023 and are not expected to be required in future, based on the current funding surplus in the Scheme.

During 2019 the Brockhampton Pension Scheme Trustees ('the Trustees') entered into a 'Buy-In' insurance arrangement with Just Retirement Limited. This buy-in arrangement covered the majority of the current pensioner liabilities at that time. In June 2025, the Trustees entered into a further 'Buy-In' insurance arrangement with Just Retirement Limited. This covered the remaining members of the Scheme, being new pensioners arising since 2019 and all deferred members, for a consideration of £43.8 million. This was paid from the Scheme's existing assets, with no additional funding being required by the Company. The value placed on the insurance policy is less than the amount paid and the difference (£8.0 million) is treated by the Company as a remeasurement loss in Other Comprehensive Income.

At the current time, the legal obligation to pay pension benefits remains with the Scheme and its Trustees and ultimately the Company. Although the buy-in policies significantly reduce the risks within the Scheme, risks to the Company remain. These include the risks of the insurers not paying the benefits specified in the insurance policy, data rectification and legal risks. In future, it may be possible to convert the bulk annuity policies to a buy-out which removes the legal obligation from the Scheme and the Company. There remain a number of projects to confirm the data and benefits that would need to be completed before such a conversion is possible. There is no obligation to convert to a buy-out and no decision has been taken at this stage.

In addition, as part of the Buy-In arrangement, certain changes were made to fully equalise the benefits payable to pensioners under the two Buy-In insurance arrangements. The actuarial cost associated with this change was £0.9 million, and together with the related advisory and legal costs incurred by the Scheme of £0.3 million, have been recorded as an exceptional expense recognised in the Income Statement in the year. Following the Buy-In transaction, in line with the 2019 Buy-In transaction, the insurance policies are treated as an asset of the Scheme and are valued on the same basis as the liabilities to which they relate.

The Trustees have also considered the risks associated with the 'Virgin Media' legal case, relating to the appropriate documentation of historic amendments to defined benefit pension scheme rules which 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 Scheme are low and any additional amounts payable are not material. The Trustees also note that the amendments included in the recent Pensions Scheme Act, which became law in April 2026, should also allow any required documentation to be completed retrospectively.

The latest full triennial actuarial valuation for the scheme was carried out as at 31 March 2024. This has been updated to 31 March 2026 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 the Company for the year to 31 March 2027 is £nil (year to 31 March 2026 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 previously 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 2026 were £2.5 million (2025: £2.1 million).

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

	2026 % per annum	2025 % per annum	2024 % per annum
RPI inflation	3.4	3.1	3.2
CPI inflation	3.0	2.7	2.7
Discount rate	6.0	5.7	4.8
Pension increases	3.0	2.7	2.7

24. Pensions (continued)

Assumption	31 March 2026	31 March 2025	Comments on assumptions
RPI inflation	3.4% pa	3.1% 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 3.7% pa (2025: 3.4% 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	3.0% 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% per annum (2025: 0.4% 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% per annum pre / post 2030.
Discount rate	6.0% pa	5.7% pa	Discount rate is set based on yields of high quality (AA rated) 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 (2025: 12 years). Bonds are included in the data set if they are classified as 'AA' and 'Corporate', as rated by either Fitch, Moody's or Standard & Poors. A yield curve is fitted to the data using least squares optimisation techniques and is extrapolated beyond 30 years in line with the gilt yield curve and a single discount rate is calculated from this.

Life expectancy of a male aged 65 at 31 March 2026 is 21.4 years (2025: 21 years) and for a female is 23.8 years (2025: 23.6 years). Life expectancy of a male aged 65 years at 31 March 2046 (i.e. 20 years after the accounting date) is 22.7 years (2025: 22.3 years) and for a female is 25.1 years (2025: 25 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 and Wales and requires various parameters to be set. The projections model has been updated from 31 March 2025 year end to use a more recent model – CMI2024.

The CMI2024 model includes a revised approach which builds on the higher levels of deaths in England and Wales during the Covid-19 pandemic period. It does this with a new half-life parameter ('H'), replacing the previous 'W' weighting parameter. This sets how quickly the excess death rates experienced during the Covid-19 pandemic period run-off from the high level in 2020 to a new post-pandemic normal. The core value for 'H' of 1 year has been used in the mortality assumptions as at 31 March 2026.

As an indication of the sensitivity of the results to changes in the key assumptions used at 31 March 2026:

- A decrease in the discount rate of 0.1% per annum and 0.5% per annum would increase the defined benefit obligation by around £0.9 million (2025: £0.9 million) and £4.5 million (2025: £4.7 million) 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 £0.8 million (2025: £0.8 million) and £4.0 million (2025: £4.1 million) respectively.
- A one year increase in life expectancies would increase the defined benefit obligation by around £2.8 million (2025: £2.7 million).
- A 5% fall in performance asset values would reduce the scheme assets by around £0.1 million (2025: £0.1 million).

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:

	2026 Fair value		2025 Fair value		2024 Fair value	
	%	£000	%	£000	%	£000
Equities	-	-	-	-	-	-
Leveraged liability driven investments	-	-	3	3,265	20	23,622
Unleveraged index-linked gilt LDIs	8	7,043	41	40,966	23	26,304
Property fund	1	525	1	1,244	3	4,062
Credit fund	-	-	9	9,307	8	8,818
Cash and other	3	2,592	2	1,362	2	2,480
Buy-in insurance policies	88	75,850	44	44,071	44	51,854
	100	86,010	100	100,215	100	117,140

Notes to financial statements

For the year ended 31 March 2026

24. Pensions (continued)

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 £0.5 million (2025: £1.2 million) classified as level three financial assets. These are considered to be the least liquid and hardest to value and are therefore subject to a higher degree of estimation. The buy-in insurance policies are valued at the same amount as the related pension liabilities to which the insurance policies relate to.

Experience gains and losses are differences between the actual events as they have turned out, and the assumptions 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 four-year period to 31 March 2026. The period of volatile market conditions 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 now has limited exposure to market volatility, given the risk mitigation policies put in place in recent years, including the purchase of the 2019 and 2025 buy-in insurance policies for pensioner liabilities and the full reallocation of investments held away from potentially more volatile equity investments.

Method of valuation

The pension benefits payable are valued using the projected unit method at the scheme triennial 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 full scheme valuation 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	2026 £000	2025 £000
Total fair value of scheme assets	86,010	100,215
FRS 102 value of scheme defined benefit obligation	(75,850)	(79,714)
Impact of asset ceiling	(10,160)	(20,501)
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 2026 by an asset of £nil (2025: £nil).

Deferred tax relating to the pension asset is off set directly against the net pension asset balance, as permitted by FRS 102, rather than being shown as part of the Company's overall deferred tax liabilities.

24. Pensions (continued)

Movement in the net balance sheet position	2026 £000	2025 £000
Opening asset	-	-
Expense charged to profit and loss	(1,736)	(818)
Gain / (loss) recognised outside of profit and loss	1,736	818
Employer contributions	-	-
Closing asset	-	-

Movement in present value of defined benefit obligation	2026 £000	2025 £000
Opening scheme liabilities	79,714	94,121
Employer's part of current service cost	840	818
Interest on scheme liabilities	4,355	4,362
Benefits paid and running costs	(6,702)	(6,587)
Benefit augmentation loss / (gain)	896	-
Actuarial loss / (gain)	(3,253)	(13,000)
Closing scheme defined benefit obligation	75,850	79,714

Movement in fair value of scheme assets	2026 £000	2025 £000
Opening fair value of scheme assets	100,215	117,140
Interest on scheme assets	5,524	5,467
Contributions by Portsmouth Water Limited, including employee contributions	-	-
Benefits paid and running costs	(6,702)	(6,587)
Actual return on scheme assets less interest on scheme assets	(13,027)	(15,805)
Closing fair value of scheme assets	86,010	100,215

Movement in the impact of the asset ceiling	2026 £000	2025 £000
Effect of asset ceiling at the start of the year	20,501	23,019
Interest on asset limit	1,169	1,105
Change in asset limit other than interest	(11,510)	(3,623)
Effect of asset ceiling at the end of the year	10,160	20,501

Notes to financial statements

For the year ended 31 March 2026

24. Pensions (continued)

Expense recognised in income statement	2026 £000	2025 £000
The following amounts have been included within operating profit:		
Current service cost (employer's part only, including normal scheme running costs)	(520)	(505)
Total operating charge	(520)	(505)
The following amounts have been included within exceptional charges in the year:		
Loss on benefit augmentation	(896)	-
Pension advisory and related fees relating to changes to the scheme	(320)	(313)
Other costs and fees relating to closure of the pension scheme to future accrual	-	(24)
Total exceptional charge	(1,216)	(337)
The following amounts have been included as other finance income under FRS 102:		
Interest on pension scheme assets	5,524	5,467
Interest on asset limit	(1,169)	(1,105)
Interest on pension scheme defined benefit obligation	(4,355)	(4,362)
Total other finance income	-	-
Total expense recognised in the income statement	(1,736)	(842)
Amounts recognised outside income statement	2026	2025
The following amounts have been recognised within the statement of changes in equity:	£000	£000
Actual return on assets less interest	(13,027)	(15,805)
Experience gains / (losses) arising on scheme defined benefit obligation	(269)	1,999
Gain / (loss) due to changes in assumptions	3,522	11,001
Change in asset limit other than interest	11,510	3,623
Remeasurement gain / (loss) on net defined benefit asset	1,736	818

25. Lease commitments

At the reporting date the Company had no disclosable commitments under non-cancellable operating leases.

In 2023 the Company entered into a long-term (80-year) lease arrangement for the rental of 80 hectares of farm land relating to the Havant Thicket Reservoir project. The farm land will be used for environmental related projects, including rewilding and the planting of new trees. The lease commenced in July 2023 and meets the requirements of a finance lease. The lease arrangement included an upfront lease premium payment, and annual rental payments over the life of the lease arrangement. The annual rental payments are subject to inflationary increases each year, linked to CPI.

The related net finance lease liability at 31 March 2026 is £1,113k (2025: £1,070k), of which £68k (2025: £66k) is due in less than one year and £1,045k (2025: £1,004k) is due after more than one year.

The minimum lease payments under the lease which fall due in future periods are as follows:

	2026 £000	2025 £000
Amounts falling due within one year	68	66
Amounts falling due between one to five years	274	263
Amounts falling due in over five years	4,930	4,801
Total minimum lease payments	5,272	5,130
Less: finance charges relating to future periods	(4,159)	(4,060)
Net finance lease liability	1,113	1,070

26. Capital commitments

	2026 £000	2025 £000
Relating to fixed assets	263,000	337,600

Of the capital commitments noted above, £204.9 million (2025: £272.2 million) is attributable to the Havant Thicket Reservoir (HTR) project.

During the year to 31 March 2023, approval of the HTR construction budget expenditure of up to £339 million (based on 2021 prices) was received from Ofwat. Based on inflation increases to 2026, this budget has now increased to £416 million. This amount is considered to be the current commitment on the HTR project. Up to 31 March 2026, and excluding capitalised borrowing costs, £211.0 million (2025: £129.6 million) of this approved budget amount had been incurred as capital expenditure on the project, as set out in Note 12.

Contracts relating to the construction of the HTR have been placed with major sub-contractors with a total value of £255 million as at 31 March 2026 (2025: £246 million).

27. Ultimate controlling party

The Company's intermediate parent company in the UK is Ancala Fonia 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 Fonia Topco Pte Limited ('AFTPL') in Singapore, and in July 2023 transferred the ownership of AFHL from SRWHL to AFTPL. Procedures to liquidate SRWHL have commenced.

The group structure is set out on page 17.

We consider AFTPL to be the ultimate holding company at 31 March 2026 (2025: AFPTL), and the ultimate controlling party to be Ancala Partners LLP. Consolidated group financial statements for the year ended 31 March 2025 will be prepared by AFTPL (the largest group for which consolidated financial statements are prepared) and by AFHL (the smallest group for which consolidated financial statements are prepared).

28. Related party transactions

The Brockhampton Pension Scheme, the scheme for which the Company is the principal employer, is considered to be a related party to the Company. Transactions between these two parties are set out in Note 24.

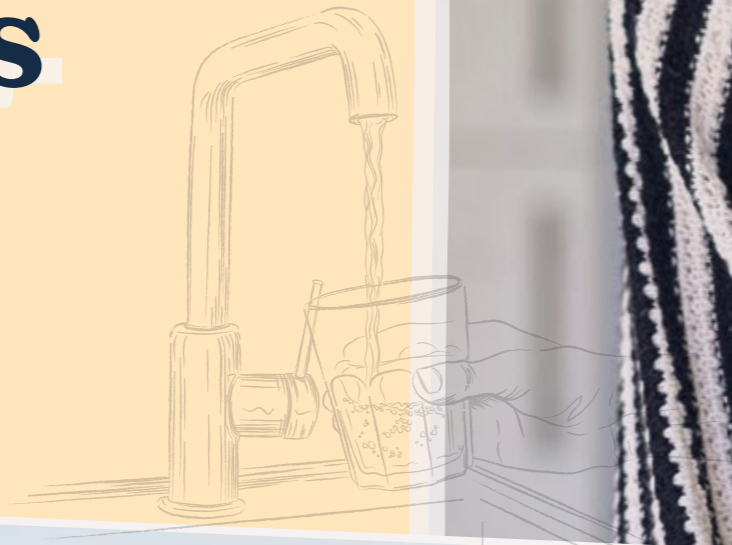
The Company has taken advantage of the exemption available in FRS 102 'Related Party Disclosures' whereby it has not disclosed transactions with any wholly owned subsidiary undertaking of the wider Ancala Fonia Topco Pte Limited group. Related undertakings are set out in the group structure on page 17 and have the same registered office as stated on page 156, except for AFTPL, which has a registered office at 9 Straits View, #06-07 Marina One West Tower, 018937, Singapore.

29. Post balance sheet events

There are considered to be no events which occurred after 31 March 2026 which need to be disclosed in line with the FRS 102 requirements.

07

APR tables



Section 1 - Regulatory financial reporting

Tables 1A to 1F

1A Income statement

Income statement for the 12 months ended 31 March 2026								
Line description	Units	DPs	Statutory	Adjustments			Total appointed activities	RAG 4 reference
				Differences between statutory and RAG definitions	Non-appointed	Total adjustments		
Revenue	£m	3	60.122	18.253	0.310	17.943	78.065	1A.1
Operating costs	£m	3	(50.052)	0.334	0.110	0.224	(49.828)	1A.2
Other operating income	£m	3	0.015	0.000	0.000	0.000	0.015	1A.3
Operating profit	£m	3	10.085	18.587	0.420	18.167	28.252	1A.4
Other income	£m	3	0.000	1.605	0.000	1.605	1.605	1A.5
Interest income	£m	3	0.746	0.000	0.000	0.000	0.746	1A.6
Interest expense	£m	3	(5.818)	(16.389)	0.000	(16.389)	(22.207)	1A.7
Other interest expense	£m	3	0.000	0.000	0.000	0.000	0.000	1A.8
Profit before tax and fair value movements	£m	3	5.013	3.803	0.420	3.383	8.396	1A.9
Fair value gains/(losses) on financial instruments	£m	3	(0.969)	0.000	0.000	0.000	(0.969)	1A.10
Profit before tax	£m	3	4.044	3.803	0.420	3.383	7.427	1A.11
UK Corporation tax	£m	3	0.000	0.000	0.000	0.000	0.000	1A.12
Deferred tax	£m	3	(1.175)	0.000	0.000	0.000	(1.175)	1A.13
Profit for the year	£m	3	2.869	3.803	0.420	3.383	6.252	1A.14
Dividends	£m	3	(2.894)	0.000	0.000	0.000	(2.894)	1A.15
Tax analysis								
Current year	£m	3	0.000	0.000	0.000	0.000	0.000	1A.16
Adjustment in respect of prior years	£m	3	0.000	0.000	0.000	0.000	0.000	1A.17
UK Corporation tax	£m	3	0.000	0.000	0.000	0.000	0.000	1A.18
Analysis of non-appointed revenue								
Imported sludge	£m	3			0.000			1A.19
Tankered waste	£m	3			0.000			1A.20
Other non-appointed revenue	£m	3			0.310			1A.21
Revenue	£m	3			0.310			1A.22

1B Statement of comprehensive income

Statement of comprehensive income for the 12 months ended 31 March 2026								
Line description	Units	DPs	Statutory	Adjustments			Total appointed activities	RAG 4 reference
				Differences between statutory and RAG definitions	Non-appointed	Total adjustments		
Profit for the year	£m	3	2.869	3.803	0.420	3.383	6.252	1B.1
Actuarial gains/(losses) on post-employment plans	£m	3	1.736	0.000	0.110	(0.110)	1.626	1B.2
Other comprehensive income	£m	3	(0.010)	0.000	0.000	0.000	(0.010)	1B.3
Total Comprehensive income for the year	£m	3	4.595	3.803	0.530	3.273	7.868	1B.4

1C Statement of financial position

Statement of financial position for the 12 months ended 31 March 2026								
Line description	Units	DPs	Statutory	Adjustments			Total appointed activities	RAG 4 reference
				Differences between statutory and RAG definitions	Non-appointed	Total adjustments		
Non-current assets								
Fixed assets	£m	3	443.667	(38.305)	0.000	(38.305)	405.362	1C.1
Intangible assets	£m	3	38.466	(2.500)	0.000	(2.500)	35.966	1C.2
Investments - loans to group companies	£m	3	0.000	0.000	0.000	0.000	0.000	1C.3
Investments - other	£m	3	0.000	0.000	0.000	0.000	0.000	1C.4
Financial instruments	£m	3	0.000	0.000	0.000	0.000	0.000	1C.5
Retirement benefit assets	£m	3	0.000	0.000	0.000	0.000	0.000	1C.6
Total non-current assets	£m	3	482.133	(40.805)	0.000	(40.805)	441.328	1C.7
Current assets								
Inventories	£m	3	1.011	0.000	0.000	0.000	1.011	1C.8
Trade & other receivables	£m	3	49.192	0.000	0.000	0.000	49.192	1C.9
Financial instruments	£m	3	1.736	0.000	0.000	0.000	1.736	1C.10
Cash & cash equivalents	£m	3	26.892	0.000	0.812	(0.812)	26.080	1C.11
Total current assets	£m	3	78.831	0.000	0.812	(0.812)	78.019	1C.12
Current liabilities								
Trade & other payables	£m	3	(40.882)	0.333	0.000	0.333	(40.549)	1C.13
Capex creditor	£m	3	(9.425)	0.000	0.000	0.000	(9.425)	1C.14
Borrowings	£m	3	(34.142)	0.000	0.000	0.000	(34.142)	1C.15
Financial instruments	£m	3	(0.433)	0.000	0.000	0.000	(0.433)	1C.16
Current tax liabilities	£m	3	0.000	0.000	0.000	0.000	0.000	1C.17
Provisions	£m	3	0.000	0.000	0.000	0.000	0.000	1C.18
Total current liabilities	£m	3	(84.882)	0.333	0.000	0.333	(84.549)	1C.19
Net Current assets/(liabilities)	£m	3	(6.051)	0.333	0.812	(0.479)	(6.530)	1C.20
Non-current liabilities								
Trade & other payables	£m	3	0.000	0.000	0.000	0.000	0.000	1C.21
Borrowings	£m	3	(302.014)	0.000	0.000	0.000	(302.014)	1C.22
Financial instruments	£m	3	(1.139)	0.000	0.000	0.000	(1.139)	1C.23
Retirement benefit obligations	£m	3	0.000	0.000	0.000	0.000	0.000	1C.24
Provisions	£m	3	(11.049)	0.000	0.000	0.000	(11.049)	1C.25
Deferred income	£m	3	(55.349)	26.663	0.000	26.663	(28.686)	1C.26
Deferred income – adopted assets	£m	3	0.000	0.000	0.000	0.000	0.000	1C.27
Preference share capital	£m	3	0.000	0.000	0.000	0.000	0.000	1C.28
Deferred tax	£m	3	0.000	0.000	0.000	0.000	0.000	1C.29
Total non-current liabilities	£m	3	(369.551)	26.663	0.000	26.663	(342.888)	1C.30
Net assets	£m	3	106.531	(13.809)	0.812	(14.621)	91.910	1C.31
Equity								
Called up share capital	£m	3	81.078	0.000	0.000	0.000	81.078	1C.32
Retained earnings & other reserves	£m	3	25.453	(13.809)	0.812	(14.621)	10.832	1C.33
Total Equity	£m	3	106.531	(13.809)	0.812	(14.621)	91.910	1C.34

Section 1 – Regulatory financial reporting

Tables 1A to 1F

1D Statement of cashflows

Statement of cashflows for the 12 months ended 31 March 2026								
Line description	Units	DPs	Statutory	Adjustments			Total appointed activities	RAG 4 reference
				Differences between statutory and RAG definitions	Non-appointed	Total adjustments		
Operating activities								
Operating profit	£m	3	10.085	18.587	0.420	18.167	28.252	1D.1
Other income	£m	3	20.192	(18.587)	0.000	(18.587)	1.605	1D.2
Depreciation	£m	3	9.408	0.000	0.000	0.000	9.408	1D.3
Amortisation – developer services and diversions income	£m	3	(0.834)	0.000	0.000	0.000	(0.834)	1D.4
Changes in working capital	£m	3	(3.713)	0.000	0.000	0.000	(3.713)	1D.5
Pension contributions	£m	3	1.736	0.000	0.000	0.000	1.736	1D.6
Movement in provisions	£m	3	0.000	0.000	0.000	0.000	0.000	1D.7
Profit on sale of fixed assets	£m	3	(0.015)	0.000	0.000	0.000	(0.015)	1D.8
Cash generated from operations	£m	3	36.859	0.000	0.420	(0.420)	36.439	1D.9
Net interest paid	£m	3	(10.035)	0.000	0.000	0.000	(10.035)	1D.10
Tax paid	£m	3	0.000	0.000	0.000	0.000	0.000	1D.11
Net cash generated from operating activities	£m	3	26.824	0.000	0.420	(0.420)	26.404	1D.12
Investing activities								
Capital expenditure	£m	3	(114.034)	0.000	0.000	0.000	(114.034)	1D.13
Developer services and diversion income	£m	3	1.274	0.000	0.000	0.000	1.274	1D.14
Disposal of fixed assets	£m	3	0.015	0.000	0.000	0.000	0.015	1D.15
Other	£m	3	(0.068)	0.000	0.000	0.000	(0.068)	1D.16
Net cash used in investing activities	£m	3	(112.813)	0.000	0.000	0.000	(112.813)	1D.17
Net cash generated before financing activities	£m	3	(85.989)	0.000	0.420	(0.420)	(86.409)	1D.18
Cashflows from financing activities								
Equity dividends paid	£m	3	(2.894)	0.000	0.000	0.000	(2.894)	1D.19
Net loans received	£m	3	65.000	0.000	0.000	0.000	65.000	1D.20
Cash inflow from equity financing	£m	3	0.000	0.000	0.000	0.000	0.000	1D.21
Net cash generated from financing activities	£m	3	62.106	0.000	0.000	0.000	62.106	1D.22
Increase (decrease) in net cash	£m	3	(23.883)	0.000	0.420	(0.420)	(24.303)	1D.23

1E Net debt analysis

Net debt analysis at 31 March 2026								
Line description	Units	DPs	Fixed rate	Floating rate	Index linked		Total	RAG 4 reference
					RPI	CPI/CPIH		
Interest rate risk profile								
Borrowings (excluding preference shares)	£m	3	30.283	66.113	22.908	214.473	333.777	1E.1
Preference share capital	£m	3	0.000	0.000	0.000	0.000	0.000	1E.2
Total borrowings	£m	3	30.283	66.113	22.908	214.473	333.777	1E.3
Cash	£m	3	0.000	0.000	0.000	0.000	(26.892)	1E.4
Short term deposits	£m	3	0.000	0.000	0.000	0.000	0.000	1E.5
Net Debt	£m	3	0.000	0.000	0.000	0.000	306.885	1E.6
Gearing								
Gearing	%	3					47.827%	1E.7
Adjusted Gearing	%	3					43.151%	1E.8
Interest								
Full year equivalent nominal interest cost	£m	3	1.510	3.534	(3.561)	21.396	22.879	1E.9
Full year equivalent cash interest payment	£m	3	1.510	3.534	0.834	9.652	15.530	1E.10
Indicative interest rates								
Indicative weighted average nominal interest rate	%	3	4.986%	5.345%	(15.544%)	9.976%	6.855%	1E.11
Indicative weighted average cash interest rate	%	3	4.986%	5.345%	3.639%	4.501%	4.653%	1E.12
Time to maturity								
Weighted average years to maturity	nr	3	1.224	4.231	6.500	11.000	6.688	1E.13

Differences between borrowings in Table 1E and Table 1C

The difference between total borrowings reported in Table 1C and those reported in 1E is (£1.9 million). This consists of deferred arrangement fees and loan refinance fees, shown in the table below:

	Table 1C	Table 4B and 1E	Difference
	£000	£000	£000
Finance lease liability	1,113	1,113	0
RPI-CPI swap	1,572	0	1,572
Interest rate swap (asset)	(1,736)	0	(1,736)
Debt total facility fees	0	0	0
Deferred arrangement fees	(3,194)	0	(3,194)
Accrued finance fees	1,499	0	1,499
Debenture loans	283	283	0
Bank loan	219,608	219,608	0
CPI bond	82,773	82,773	0
Intra-group loan	30,000	30,000	0
	331,919	333,777	(1,858)

Adjusted gearing

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

Section 1 - Regulatory financial reporting

Tables 1A to 1F

1F Financial flows

Financial flows for the 12 months ended 31 March 2026 and for the price review to date															
Line description	Units	DPs	12 months ended 31 March 2026						Average 2025-30						RAG 4 reference
			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	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	
Regulatory equity															
Regulatory equity	£m	3	237.566	237.566	300.083				237.566	237.566	300.083				1F.1
	Units			%		£m		%		£m		%			
	DPs			2		3		2		3		2			
Return on regulatory equity															
Return on regulatory equity -real	See Column Heading		5.22%	6.59%	5.22%	12.401	15.664	15.664	5.22%	6.59%	5.22%	12.401	15.664	15.664	1F.2
Financing															
Impact of movement from notional gearing				(1.37%)	(0.29%)		(3.263)	(0.880)		(1.37%)	(0.29%)		(3.263)	(0.880)	1F.3
Variance in corporation tax	See Column Heading			0.85%	0.67%		2.003	2.003		0.85%	0.67%		2.003	2.003	1F.4
Group relief	See Column Heading			0.00%	0.00%		0.000	0.000		0.00%	0.00%		0.000	0.000	1F.5
Cost of debt	See Column Heading			0.35%	0.22%		0.839	0.658		0.35%	0.22%		0.839	0.658	1F.6
Hedging instruments	See Column Heading			(0.36%)	(0.29%)		(0.857)	(0.857)		(0.36%)	(0.29%)		(0.857)	(0.857)	1F.7
Return on regulatory equity including Financing adjustments	See Column Heading		5.22%	6.06%	5.53%	12.401	14.386	16.588	5.22%	6.06%	5.53%	12.401	14.386	16.588	1F.8
Operational Performance															
Totex out / (under) performance	See Column Heading			(0.07%)	(0.06%)		(0.171)	(0.171)		(0.07%)	(0.06%)		(0.171)	(0.171)	1F.9
ODI out / (under) performance	See Column Heading			(0.54%)	(0.42%)		(1.272)	(1.272)		(0.54%)	(0.42%)		(1.272)	(1.272)	1F.10
C-Mex out / (under) performance	See Column Heading			0.16%	0.13%		0.380	0.380		0.16%	0.13%		0.380	0.380	1F.11
D-Mex out / (under) performance	See Column Heading			0.07%	0.05%		0.160	0.160		0.07%	0.05%		0.160	0.160	1F.12
BR-Mex out / (under) performance	See Column Heading			0.09%	0.07%		0.200	0.200		0.09%	0.07%		0.200	0.200	1F.13
Retail out / (under) performance	See Column Heading			(0.11%)	(0.09%)		(0.256)	(0.256)		(0.11%)	(0.09%)		(0.256)	(0.256)	1F.14
PCD - time incentives	See Column Heading			0.04%	0.03%		0.099	0.099		0.04%	0.03%		0.099	0.099	1F.15
Return adjustment mechanisms	See Column Heading			0.00%	0.00%		0.000	0.000		0.00%	0.00%		0.000	0.000	1F.16
Other exceptional items	See Column Heading			0.22%	0.18%		0.530	0.530		0.22%	0.18%		0.530	0.530	1F.17
Operational performance total	See Column Heading			(0.14%)	(0.11%)		(0.330)	(0.330)		(0.14%)	(0.11%)		(0.330)	(0.330)	1F.18
RoRE (return on regulatory equity) - real	See Column Heading		5.22%	5.92%	5.42%	12.401	14.056	16.258	5.22%	5.92%	5.42%	12.401	14.056	16.258	1F.19
RCV Indexation	See Column Heading		3.45%	3.45%	3.45%	8.196	8.196	10.353	3.45%	3.45%	3.45%	8.196	8.196	10.353	1F.20
Voluntary sharing arrangements	See Column Heading			0.00%	0.00%		0.000	0.00%		0.00%	0.00%		0.000	0.00%	1F.21
Total shareholder return	See Column Heading		8.67%	9.37%	8.87%	20.597	22.252	26.611	8.67%	9.37%	8.87%	20.597	22.252	26.611	1F.22
Dividends															
Gross Dividend	See Column Heading		4.00%	1.12%	0.89%	9.503	2.657	2.657	4.00%	1.12%	0.89%	9.503	2.657	2.657	1F.23
Interest Receivable on Intercompany loans	See Column Heading			0.00%	0.00%		0.000	0.000		0.00%	0.00%		0.000	0.000	1F.24
Retained Value	See Column Heading		4.67%	8.25%	7.98%	11.094	19.595	23.954	4.67%	8.25%	7.98%	11.094	19.595	23.954	1F.25

Section 1 – Regulatory financial reporting

Regulatory notes to the accounts

Basis of preparation

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

- The notional regulatory equity and returns are taken from the Ofwat Financial Flows Data source file, as well as the RCV growth percentage
- The gearing and cost of debt calculations use the year-end RCV numbers published by Ofwat in 'RCV-PR24_2026_Overall'
- The gearing calculation adjusts the actual return on net debt by average CPIH for 2025-26.

Variances between the final determination and the results for 2025-26

We have considered the variances arising between the return assumed in the PR24 final determination (FD) and the actual return for 2025-26. In overall terms the actual total shareholder return is £27 million and the dividend paid is £2.7 million, compared to the notional total shareholder return of £20.6 million and notional dividend paid of £9.5 million, based upon the FD.

The material differences are driven by the factors below.

2022-23 price base	Allowed	Actual
	£000	£000
Tax payable on gain/(loss) at corporate tax rate 25%	0	1,857
Adjustments		
Timing differences on capital allowances	0	146
Prior year adjustments	0	0
Difference (favourable)	0	2,003

Financing

Impact of movement from notional gearing

Actual average gearing of 43% is below the notional gearing of 55% by 12 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 57% vs notional equity of 45%). Secondly, it results in an adverse due to the cost of debt being lower than the cost of equity.

Variance in corporation tax

The reconciliation below, in 2022-23 prices, sets out the higher tax charge outturn relative to the FD. No current tax is payable in the year due to utilisation of brought forward loss allowances, however, a deferred tax charge has been recognised for the period. Explanation of the tax reconciliation (in current year price base) has been included in Note 8.

Cost of debt

The Company's actual real cost of debt is 3.52%, which is below the allowed cost of debt of 3.81% (as published by Ofwat). Together with lower gearing levels, this results in a £0.658 million increase in financial returns.

Hedging instruments

The Company recognised a net loss of £0.857 million on hedging instruments in the year, primarily reflecting adverse fair value movements on RPI-CPI inflation swaps. This arose as the spread between RPI and CPI narrowed, reducing the valuation of these instruments. This loss was partially offset by fair value gains on interest rate swaps, resulting in an overall net loss position on hedging.

Operational performance

Totex performance

The 2025-26 variance on total expenditure is £0.17 million (underperformance), after an adjustment for timing differences of £5.8 million (excluding Havant Thicket Reservoir) and application of the totex sharing percentages, as published by Ofwat. For more details on the totex expenditure variance to the FD see the commentary relating to table 4D.

ODI rewards and penalties

There are a number of ODI rewards and penalties relating to 2025-26. They are mainly paid on an in-period basis (within 2025-30 as opposed to the end of the five-year period), except the PCC ODI, and none of them have an impact on the RCV. The total forecast net penalties for the year amount to -£1.3 million, in 2022-23 prices. See Section 3 for more details.

Measures of experience

The C-MeX, D-MeX and BR-MeX performance rewards are not reported in the year, in Table 1F, but are reported one year in arrears. For 2025-26 companies are required to report zero values.

Retail out / under performance

The 2025-26 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 212.

PCD time incentives

PCD time incentives for the current year were identified as £0.1 million, mainly due to early delivery of smart water meter installations.

Return adjustment mechanisms

The impact of the OAM and ASM are reported one year in arrears and at the end of the five-year period respectively. These are not applicable for 2025-26.

Section 1 - Regulatory financial reporting

Reconciliation between statutory accounts and regulatory accounts

For the year ended 31 March 2026	Statutory £000	Regulatory £000	Commentaries
Income statement			
Revenue	60,122	78,065	See a) below
Operating profit	10,085	28,252	See b) below
Statement of financial position			
Tangible fixed assets (net book value)	443,667	405,362	See c) below
Intangible fixed assets (net book value)	38,466	35,966	See d) 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 statutory financial accounts. In the statutory financial accounts, the revenue includes all income from grants and contributions, but in the APR this is classified as 'Other income'. In addition, the statutory financial accounts include non-appointed revenue, of which £0.105 million is meter reading revenue for non-household business retailers. The rest of the non-appointed income is for commercial services.

An amount of Havant Thicket Reservoir bulk supply income from Southern Water has been recognised in the APR and this is different to the treatment of this income in the statutory financial accounts.

	£000
Statutory revenue	60,122
Amortisation of developer contributions	(787)
Income from connection charges	(815)
Income from mains diversions	(2)
Non-appointed revenue	(205)
Non-appointed meter reading revenue	(105)
Void debt provision	(0)
Havant Thicket Reservoir bulk supply revenue	20,191
Innovation and water efficiency fund	(334)
Regulatory revenue	78,065

b) The differences between statutory and regulatory operating profit relate to the inclusion of non-appointed business in the statutory financial accounts, income from grants and contributions and the recognition of revenue associated with Havant Thicket Reservoir and Ofwat's Innovation and Water Efficiency funds. The breakdown of income is shown below.

The provisions made in the statutory financial accounts of £0.334 million for the revenue associated with Ofwat's Innovation and Water Efficiency funds are excluded from the APR.

	£000
Statutory operating profit	10,085
Amortisation of developer contributions	(787)
Income from connection charges	(815)
Income from mains diversions	(2)
Non-appointed commercial revenue	(205)
Non-appointed meter reading revenue	(105)
Non-appointed costs	55
Non-appointed rents receivable	(166)
Havant Thicket Reservoir bulk supply revenue	20,192
Regulatory operating profit	28,252

c) The difference in the Tangible Fixed Assets net book values relates to the accounting treatment of borrowing costs for the Havant Thicket Reservoir project. These have been capitalised in the statutory accounts. This treatment is not allowed by Ofwat in the regulatory accounts.

	£000
Statutory tangible fixed assets	443,667
Borrowing costs capitalised - Havant Thicket Reservoir 2026	(15,952)
Borrowing costs capitalised - Havant Thicket Reservoir prior years	(22,353)
Regulatory tangible fixed assets	405,362

d) The difference in the Intangible Fixed Assets net book values relates to the accounting treatment of borrowing costs for development projects. This treatment is not allowed by Ofwat in the regulatory accounts.

	£000
Statutory intangible fixed assets	38,466
Borrowing costs capitalised - 2026	(2,063)
Borrowing costs capitalised - prior years	(437)
Regulatory intangible fixed assets	35,966

Section 2 – Price review and other segmental reporting

Tables 2A to 2R

2A Segmental income statement

Segmental income statement for the 12 months ended 31 March 2026								
Line description	Units	DPs	Residential Retail	Water Resources	Water Network+	Additional water control	Total	RAG 4 reference
Revenue - price control	£m	3	7,015	8,845	41,080	20,192	77,132	2A.1
Revenue - non-price control (principal services)	£m	3	0.000	0.000	0.000	0.000	0.000	2A.2
Revenue - non-price control (third-party services)	£m	3	0.000	0.000	0.933	0.000	0.933	2A.3
Operating expenditure - excluding PU recharge impact	£m	3	(6,428)	(6,400)	(27,556)	0.000	(40,384)	2A.4
PU opex recharge	£m	3	(0,967)	(0,171)	1,138	0.000	0.000	2A.5
Operating expenditure - including PU recharge impact	£m	3	(7,395)	(6,571)	(26,418)	0.000	(40,384)	2A.6
Depreciation - tangible fixed assets	£m	3	0.000	(0,254)	(6,676)	0.000	(6,929)	2A.7
Amortisation - intangible fixed assets	£m	3	(0,021)	(0,212)	(2,246)	0.000	(2,479)	2A.8
Other operating income	£m	3	0.000	0.000	0.015	0.000	0.015	2A.9
Operating profit	£m	3	(0,401)	1,808	6,688	20,192	28,287	2A.10

Recharges from Water Network+ to Retail and Water Resources, include a charge for the use of the head office building of £0.7 million split between Retail 75% and Water Resources 25%.

2B Totex analysis – by wholesale price controls

Totex analysis for the 12 months ended 31 March 2026 - by wholesale price controls								
Line description	Units	DPs	Water resources	Water Network+	Additional water control	Total	RAG 4 reference	
Gross operating expenditure								
Operating expenditure - Total wholesale	£m	3	6,370	27,429	0.000	33,799	2B.1	
Developer services & diversions income (opex)								
Developer services income (opex)	£m	3		1,603		1,603	2B.2	
Diversions income (opex)	£m	3	0.002	0.000		0.002	2B.3	
Net operating expenditure								
Operating expenditure - Total wholesale (net)	£m	3	6,368	25,826	0.000	32,194	2B.4	
Gross capital expenditure								
Capital expenditure - Total wholesale	£m	3	1,397	31,301	81,364	114,062	2B.5	
Developer services & diversions income (capex)								
Developer services income (capex)	£m	3		0,756		0,756	2B.6	
Diversions income (capex)	£m	3	0.000	0.000		0.000	2B.7	
Net capital expenditure								
Capital expenditure - Total wholesale (net)	£m	3	1,397	30,545	81,364	113,306	2B.8	
Net total expenditure								
Net totex	£m	3	7,765	56,371	81,364	145,500	2B.9	
Cash expenditure								
Pension deficit recovery payments	£m	3	0.000	0.000	0.000	0.000	2B.10	
Equity issuance costs	£m	3	0.000	0.000	0.000	0.000	2B.11	
Other cash items	£m	3	0.000	0.000	0.000	0.000	2B.12	
Totex including cash items	£m	3	7,765	56,371	81,364	145,500	2B.13	

2C Cost analysis – retail

Cost analysis for the 12 months ended 31 March 2026 - retail						
Line description	Units	DPs	Residential	Business	Total	RAG 4 reference
Operating expenditure						
Customer services	£m	3	2,703	0.000	2,703	2C.1
Debt management	£m	3	0.551	0.000	0.551	2C.2
Doubtful debts	£m	3	(0,212)	0.000	(0,212)	2C.3
Meter reading	£m	3	0.435	0.000	0.435	2C.4
Other operating expenditure	£m	3	2,535	0.000	2,535	2C.5
Local authority and Cumulo rates	£m	3	0.108	0.000	0.108	2C.6
Total operating expenditure excluding third party services	£m	3	6,120	0.000	6,120	2C.7
Depreciation						
Depreciation (tangible fixed assets) on assets existing at 31 March 2015	£m	3	0.000	0.000	0.000	2C.8
Depreciation (tangible fixed assets) on assets acquired after 1 April 2015	£	3	0.000	0.000	0.000	2C.9
Amortisation (intangible fixed assets) on assets existing at 31 March 2015	£m	3	0.000	0.000	0.000	2C.10
Amortisation (intangible fixed assets) on assets acquired after 1 April 2015	£m	3	0.021	0.000	0.021	2C.11
Recharges						
Recharge from wholesale for legacy assets principally used by wholesale (assets existing at 31 March 2015)	£m	3	0.156	0.000	0.156	2C.12
Income from wholesale for legacy assets principally used by retail (assets existing at 31 March 2015)	£m	3	0.000	0.000	0.000	2C.13
Recharge from wholesale assets acquired after 1 April 2015 principally used by wholesale	£m	3	0.811	0.000	0.811	2C.14
Income from wholesale assets acquired after 1 April 2015 principally used by retail	£m	3	0.000	0.000	0.000	2C.15
Net recharges costs	£m	3	0.967	0.000	0.967	2C.16
Total retail costs excluding third party and pension deficit repair costs	£m	3	7,108	0.000	7,108	2C.17
Third party services operating expenditure	£m	3	0.000	0.000	0.000	2C.18
Pension deficit repair costs	£m	3	0.308	0.000	0.308	2C.19
Total retail costs including third party and pension deficit repair costs	£m	3	7,416	0.000	7,416	2C.20
Debt written off						
Debt written off	£m	3	0.000	0.000	0.000	2C.21
Capital expenditure						
Capital expenditure	£m	3	0.000	0.000	0.000	2C.22
Comparison of actual and allowed expenditure						
Cumulative actual retail expenditure to reporting year end	£m	3	7,416			2C.23
Cumulative allowed expenditure to reporting year end	£m	3	7,009			2C.24
Total allowed expenditure - current AMP	£m	3	7,009			2C.25

Section 2 – Price review and other segmental reporting

Tables 2A to 2R

2D Historic cost analysis of tangible fixed assets by price control

Historic cost analysis of tangible fixed assets by price control at 31 March 2026								
Line description	Units	DPs	Residential Retail	Water resources	Water Network+	Additional water control	Total	RAG 4 reference
Cost								
At 1 April	£m	3	2.671	28.178	257.130	123.208	411.187	2D.1
Disposals	£m	3	0.000	0.000	(0.080)	0.000	(0.080)	2D.2
Additions	£m	3	0.000	0.439	18.596	81.364	100.399	2D.3
Adjustments	£m	3	0.000	0.000	0.000	0.000	0.000	2D.4
Assets adopted at nil cost	£m	3	0.000	0.000	0.000	0.000	0.000	2D.5
At 31 March	£m	3	2.671	28.617	275.646	204.572	511.506	2D.6
Depreciation								
At 1 April	£m	3	(1.161)	(5.438)	(92.696)	0.000	(99.295)	2D.7
Disposals	£m	3	0.000	0.000	0.080	0.000	0.080	2D.8
Adjustments	£m	3	0.000	0.000	0.000	0.000	0.000	2D.9
Charge for year	£m	3	0.000	(0.254)	(6.676)	0.000	(6.929)	2D.10
At 31 March	£m	3	(1.161)	(5.692)	(99.292)	0.000	(106.144)	2D.11
Net book amount at 31 March	£m	3	1.510	22.925	176.354	204.572	405.362	2D.12
Net book amount at 1 April	£m	3	1.510	22.740	164.434	123.208	311.892	2D.13
Amortisation for year								
Third party services	£m	3	0.000	0.000	0.000	0.000	0.000	2D.14
Third party services at 31 March								
Cost at 31 March - third party services tangibles	£m	3	0.000	0.000	0.000	0.000	0.000	2D.15
Amortisation at 31 March - third party services tangibles	£m	3	0.000	0.000	0.000	0.000	0.000	2D.16
Net book amount at 31 March - third party services tangibles	£m	3	0.000	0.000	0.000	0.000	0.000	2D.17

2E Analysis of developer services income by price control

Analysis of Developer services income by price control for the 12 months ended 31 March 2026						
Line description	Units	DPs	Income relating to opex spend	Income relating to capex spend	Total	RAG 4 reference
Developer services income - water network+ (price control)						
Infrastructure charge receipts – water	£m	3	0.000	2.951	2.951	2E.1
Income offset – water	£m	3	0.000	2.195	2.195	2E.2
Environmental incentives for more water efficient developments - water	£m	3	0.000	0.000	0.000	2E.3
Environmental component for more water efficient developments - water	£m	3	0.000	0.000	0.000	2E.4
Infrastructure charge receipts – after impact of income offset and environmental incentives (water)	£m	3	0.000	0.756	0.756	2E.5
Connection charges - water (Welsh companies only)	£m	3	0.000	0.000	0.000	2E.6
Requisitioned mains (Welsh companies only)	£m	3	0.000	0.000	0.000	2E.7
Other Developer services income - water network+ (price control)	£m	3	0.000	0.000	0.000	2E.8
Total Developer services income - water network+ (price control)	£m	3	0.000	0.756	0.756	2E.9
Developer services income - water network+ (non-price control)						
Connection charges - water (English companies only)	£m	3	0.933	0.000	0.933	2E.10
Requisitioned mains (English companies only)	£m	3	0.515	0.000	0.515	2E.11
Other developer services income - water network+ (non-price control)	£m	3	0.155	0.000	0.155	2E.12
Total Developer services income - water network+ (non-price control)	£m	3	1.603	0.000	1.603	2E.13

Section 2 – Price review and other segmental reporting

Tables 2A to 2R

2F Residential retail

Residential retail for the 12 months ended 31 March 2026				
Line description	Revenue	Number of customers	Average residential revenues	
Units	£m	000s	£	RAG 4 reference
DPs	3	3	3	
Residential revenue				
Wholesale revenue	37.463			2F.1
Retail revenue	7.015			2F.2
Total residential revenue	44.478			2F.3
Retail revenue				
Revenue Recovered ("RR")	7.015			2F.4
Revenue sacrifice	0.000			2F.5
Actual revenue (net)	7.015			2F.6
Customer information				
Actual customers ("AC")		302.902		2F.7
Reforecast customers		307.013		2F.8
Adjustment				
Allowed revenue ("R")	7.477			2F.9
Net adjustment	0.462			2F.10
Other residential information				
Average household retail revenue per customer			23.159	2F.11

This table relates to retail revenue and compares the assumptions in the final determination, published by Ofwat in December 2024, with those underpinning our 2025-26 tariffs and the outturn for 2025-26.

The table below uses data from the PR24 final determination (FD). It also provides details of our assumptions when setting 2025-26 charges, including the in-period ODI reward for retail.

2025-26	Final determination	2025-26 Reforecast allowed revenue	In-period ODI	2025-26 Reforecast + in-period ODI
Customers	311,277	307,013		
Modification factor	23.14	23.14		
Total revenue (£m)	7.059	7.104	n/a	7.104

We aimed to raise residential retail revenue of £7.104 million in 2025-26, based on our forecast number of properties of 307,013 when we set our tariffs in January 2025 (Line 2F.9). The number of properties we actually served in 2025-26 was 302,902.

We actually raised £7.015 million (Line 2F.2), which is £0.462 million under the target (line 2F.9).

The average revenue collected per customer was slightly higher than the FD allowed amount.

This data has been audited by Jacobs.

2H Cash collection performance Rates

Cash collection performance rates - residential retail								
Billing year	Units	DPs	% Revenue collected					RAG 4 reference
			2025-26	2026-27	2027-28	2028-29	2029-30	
All customers								
Collection rates for bills raised in 2025-26 - all customers	%	1	92.0%	2.5%	1.5%	1.0%	0.5%	2H.1
Collection rates for bills raised in 2026-27 - all customers	%	1		92.0%	2.5%	1.5%	1.0%	2H.2
Collection rates for bills raised in 2027-28 - all customers	%	1			92.0%	2.5%	1.5%	2H.3
Collection rates for bills raised in 2028-29 - all customers	%	1				92.0%	2.5%	2H.4
Collection rates for bills raised in 2029-30 - all customers	%	1					92.0%	2H.5
Measured customers								
Collection rates for bills raised in 2025-26 - measured customers	%	1	92.0%	2.5%	1.5%	1.0%	0.5%	2H.6
Collection rates for bills raised in 2026-27 - measured customers	%	1		92.0%	2.5%	1.5%	1.0%	2H.7
Collection rates for bills raised in 2027-28 - measured customers	%	1			92.0%	2.5%	1.5%	2H.8
Collection rates for bills raised in 2028-29 - measured customers	%	1				92.0%	2.5%	2H.9
Collection rates for bills raised in 2029-30 - measured customers	%	1					92.0%	2H.10
Non measured customers								
Collection rates for bills raised in 2025-26 - non-measured customers	%	1	92.0%	2.5%	1.5%	1.0%	0.5%	2H.11
Collection rates for bills raised in 2026-27 - non-measured customers	%	1		92.0%	2.5%	1.5%	1.0%	2H.12
Collection rates for bills raised in 2027-28 - non-measured customers	%	1			92.0%	2.5%	1.5%	2H.13
Collection rates for bills raised in 2028-29 - non-measured customers	%	1				92.0%	2.5%	2H.14
Collection rates for bills raised in 2029-30 - non-measured customers	%	1					92.0%	2H.15

Section 2 – Price review and other segmental reporting

Tables 2A to 2R

2I Revenue analysis & wholesale control reconciliation

Revenue analysis & wholesale control reconciliation for the 12 months ended 31 March 2026									
Line description	Units	DPs	Household	Non-household	Total	Water resources	Water network+	Total	RAG 4 reference
Wholesale charge - water (price control)									
Unmeasured	£m	3	21.677	0.362	22.039	3.946	18.093	22.039	2I.1
Measured	£m	3	15.786	12.059	27.845	4.899	22.946	27.845	2I.2
Third party revenue	£m	3	0.000	0.041	0.041	0.000	0.041	0.041	2I.3
Total wholesale water revenue	£m	3	37.463	12.462	49.925	8.845	41.080	49.925	2I.4
Unmeasured charges - additional water control	£m	3	0.000	0.000	0.000				2I.13
Measured charges - additional water control	£m	3	0.000	20.192	20.192				2I.14
Third party revenue - additional water control	£m	3	0.000	0.000	0.000				2I.15
Total wholesale additional water control revenue	£m	3	0.000	20.192	20.192				2I.16
Wholesale Total	£m	3	37.463	32.654	70.117				2I.21
Retail revenue (price control)									
Unmeasured	£m	3	3.559	0.000	3.559				2I.22
Measured	£m	3	3.456	0.000	3.456				2I.23
Retail third-party revenue	£m	3	0.000	0.000	0.000				2I.24
Total retail revenue	£m	3	7.015	0.000	7.015				2I.25

The table includes a wholesale charge of £20.2 million under additional water control. This is revenue from Southern Water relating to Havant Thicket Reservoir and is the amount included in the FD indexed to 2025-26 prices.

2K Infrastructure charges reconciliation

Infrastructure charges reconciliation for the 12 months ended 31 March 2026						
Line description	Units	DPs	Water	Wastewater	Total	RAG 4 reference
Comparison of revenue and costs						
Variance brought forward	£m	3	0.000	0.000	0.000	2K.1
Revenue	£m	3	2.951	0.000	2.951	2K.2
Costs	£m	3	(0.017)	0.000	(0.017)	2K.3
Variance carried forward	£m	3	2.934	0.000	2.934	2K.4
Analysis of variance movement in year						
Revenue impact of charge element which corrects previous years variance	£m	3	0.000	0.000	0.000	2K.5
Difference in billable developer activity against forecast in year	£m	3	(0.086)	0.000	(0.086)	2K.6
Difference in infrastructure reinforcement activity against forecast in year	£m	3	1.337	0.000	1.337	2K.7
Variance movement in year	£m	3	1.251	0.000	1.251	2K.8

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.

2L Analysis of land sales

Analysis of land sales for the 12 months ended 31 March 2026								
Line description	Units	DPs	Water resources	Water Network+	Wastewater Network+	Additional control	Total	RAG 4 reference
Land sales – proceeds from disposals of protected land	£m	3	0.000	0.000	0.000	0.000	0.000	2L.1

Section 2 – Price review and other segmental reporting

Tables 2A to 2R

2M Revenue reconciliation – wholesale

Revenue reconciliation for the 12 months ended 31 March 2026 - wholesale							
Line description	Units	DPs	Water resources	Water network+	Additional water control	Total	RAG 4 reference
Revenue recognised							
Wholesale revenue governed by price control	£m	3	8.845	41.080	20.192	70.117	2M.1
Developer services income (price control)	£m	3		0.756		0.756	2M.2
Diversions income (price control)	£m	3	0.002	0.000		0.002	2M.3
Total revenue governed by wholesale price control	£m	3	8.847	41.836	20.192	70.875	2M.4
Calculation of the revenue cap							
Allowed wholesale revenue before adjustments (or modified by CMA)	£m	3	7.197	34.103	20.192	61.492	2M.5
Allowed developer services income before adjustments (or modified by CMA)	£m	3		1.273		1.273	2M.6
Allowed diversions income before adjustments (or modified by CMA)	£m	3		0.000		0.000	2M.7
Revenue adjustment	£m	3	0.022	1.209	0.000	1.231	2M.8
Other adjustments	£m	3	0.000	0.469	0.000	0.469	2M.9
Revenue cap	£m	3	7.219	37.054	20.192	64.465	2M.10
Calculation of the revenue imbalance							
Revenue imbalance	£m	3	(1.628)	(4.782)	0.000	(6.410)	2M.11
AMP8 revenue adjustments							
Uninvoiced revenue due from retailers	£m	3	0.000	0.000	0.000	0.000	2M.12
Competitively Appointed Provider charges	£m	3	0.000	0.000	0.000	0.000	2M.13

2N Household affordability support

Household affordability support				
Line description	Revenue	Number of customers	Average amount per customer	
Units	£000	number	£	RAG 4 reference
DPs	3	0	2	
Section A – social tariffs				
Number of residential customers on social tariffs				
Residential water only social tariffs customers		17,443		2N.1
Residential wastewater only social tariffs customers		0.000		2N.2
Residential dual service social tariffs customers		0.000		2N.3
Number of residential customers not on social tariffs				
Residential water only no social tariffs customers		285,459		2N.4
Residential wastewater only no social tariffs customers		0.000		2N.5
Residential dual service no social tariffs customers		0.000		2N.6
Social tariff discount				
Average discount received by each water only social tariffs customer			45.75	2N.7
Average discount received by each wastewater only social tariffs customer			0.00	2N.8
Average discount received by each dual service social tariffs customer			0.00	2N.9
Social tariff cross-subsidy – residential customers				
Total funding from customers to support water only social tariffs	797,940			2N.10
Total funding from customers to support wastewater only social tariffs	0.000			2N.11
Total funding from customers to support dual service social tariffs	0.000			2N.12
Average funding from customers to support each water only social tariffs customer			2.63	2N.13
Average funding from customers to support each wastewater only social tariffs customer			0.00	2N.14
Average funding from customers to support each dual service social tariffs customer			0.00	2N.15
Funding from shareholders to support social tariffs				
Total funding from shareholders to support water only social tariffs	0.000			2N.16
Total funding from shareholders to support wastewater only social tariffs	0.000			2N.17
Total funding from shareholders to support dual service social tariffs	0.000			2N.18
Average funding from shareholders to support each water only social tariffs customer			0.00	2N.19
Average funding from shareholders to support each wastewater only social tariffs customer			0.00	2N.20
Average funding from shareholders to support each dual service social tariffs customer			0.00	2N.21
Social tariff support – willingness to pay				
Maximum amount customers are willing to pay to support social tariffs.			3.00	2N.22
Shareholder contribution				
Total funding from shareholders to support household debt matching schemes	0.000			2N.23
Number of unique household customers that benefitted from the funding from shareholders to support debt matching schemes		0.000		2N.24
Total funding from shareholders to support all other household affordability schemes, excluding social tariffs and debt matching	0.000			2N.25
Number of unique household customers that benefitted from the funding from shareholders to support all other household affordability schemes, excluding social tariffs and debt matching		0.000		2N.26
Total funding from shareholders to support all affordability schemes			0.00	2N.27
Section B – WaterSure tariffs				
WaterSure tariffs				
Number of unique customers on WaterSure		259		2N.28
Total reduction in bills for all WaterSure customers who paid the average household bill	21.381			2N.29
Average reduction in bills for all WaterSure customers who paid the average household bill			82.55	2N.30

This table relates to customers on support tariffs 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 2025-26 was 17,443. In total they received a discount of £0.798 million in the 12 months up to the end of March 2026. Given the average household customer base of 302,902 the average discount of £45.75 is recovered from 285,459 households at an extra charge of £2.63 per household.

In November 2022 customer research was conducted which gives the Company a £3.00 cross-subsidy limit. This will allow 27,500 customers to be switched to the Social tariff.

Section 2 – Price review and other segmental reporting

Tables 2A to 2R

2O Historic cost analysis of intangible fixed assets

Historic cost analysis of intangible fixed assets - by price control							
Line description	Units	DPs	Residential Retail	Water Resources	Water Network+	Total	RAG 4 reference
Cost							
At 1 April	£m	3	1.363	1.224	25.601	28.188	2O.1
Disposals	£m	3	0.000	0.000	0.000	0.000	2O.2
Additions	£m	3	0.000	0.958	12.705	13.663	2O.3
Adjustments	£m	3	0.000	0.000	0.000	0.000	2O.4
Assets adopted at nil cost	£m	3	0.000	0.000	0.000	0.000	2O.5
At 31 March	£m	3	1.363	2.182	38.306	41.851	2O.6
Amortisation							
At 1 April	£m	3	(0.749)	(0.169)	(2.488)	(3.406)	2O.7
Disposals	£m	3	0.000	0.000	0.000	0.000	2O.8
Adjustments	£m	3	0.000	0.000	0.000	0.000	2O.9
Charge for year	£m	3	(0.021)	(0.212)	(2.246)	(2.479)	2O.10
At 31 March	£m	3	(0.770)	(0.381)	(4.734)	(5.885)	2O.11
Net book amount at 31 March	£m	3	0.593	1.801	33.572	35.966	2O.12
Net book amount at 1 April	£m	3	0.614	1.055	23.113	24.782	2O.13
Amortisation for year							
Third party services	£m	3	0.000	0.000	0.000	0.000	2O.14
Third party services at 31 March							
Cost at 31 March - third party services intangibles	£m	3	0.000	0.000	0.000	0.000	2O.15
Amortisation at 31 March - third party services intangibles	£m	3	0.000	0.000	0.000	0.000	2O.16
Net book amount at 31 March - third party services intangibles	£m	3	0.000	0.000	0.000	0.000	2O.17

2P Third party services revenue

Third party services revenue for the 12 months ended 31 March 2026							
Line description	Units	DPs	Water resources	Water network+	Additional water control	Total	RAG 4 reference
Third-party services - price control							
Non potable water (which are not bulk supplies) revenue	£m	3	0.000	0.000	0.000	0.000	2P.1
Rechargeable revenue - Fluoridation	£m	3	0.000	0.000	0.000	0.000	2P.2
Rechargeable revenue - Fire hydrant install & repair	£m	3		0.028	0.000	0.028	2P.3
Rechargeable revenue - third party damage	£m	3	0.000	0.000	0.000	0.000	2P.4
Rechargeable revenue - build over	£m	3	0.000	0.000	0.000	0.000	2P.5
Other rechargeable revenue	£m	3	0.000	0.004	0.000	0.004	2P.6
Total third-party revenue (price control)	£m	3	0.000	0.032	0.000	0.032	2P.7
Third-party services - non-price control							
Bulk supplies revenue	£m	3	0.000	0.781	0.000	0.781	2P.8
Reservoir operating agreements revenue	£m	3	0.000	0.042	0.000	0.042	2P.9
Other excluded charge revenue	£m	3	0.000	0.110	0.000	0.110	2P.10
Total third-party revenue (non-price control)	£m	3	0.000	0.933	0.000	0.933	2P.11
Third-party services							
Total third-party services revenue	£m	3	0.000	0.965	0.000	0.965	2P.12

2R Analysis of diversions income by price control

Analysis of diversions income by price control for the 12 months ended 31 March 2026						
Line description	Units	DPs	Income relating to opex spend	Income relating to capex spend	Total	RAG 4 reference
Diversion income - water resources (price control)						
s185 diversions income - water resources	£m	3	0.002	0.000	0.002	2R.1
NRSWA diversions income - water resources	£m	3	0.000	0.000	0.000	2R.2
Non-s185 diversions income - water resources	£m	3	0.000	0.000	0.000	2R.3
Total diversions income - water resources	£m	3	0.002	0.000	0.002	2R.4
Diversion income - water network+ (price control)						
s185 diversions income - water network+	£m	3	0.000	0.000	0.000	2R.5
NRSWA diversions income - water network+	£m	3	0.000	0.000	0.000	2R.6
Non-s185 diversions income - water network+	£m	3	0.000	0.000	0.000	2R.7
Total diversions income - water network+	£m	3	0.000	0.000	0.000	2R.8

Section 2 – Price review and other segmental reporting

Accounting policy notes

a) Allocation to price control units

The tables which relate to the PR24 price controls have been completed in accordance with RAG2 - Guideline for classification of costs across the price controls.

The Company has used the guidance issued by Ofwat on the separation of costs and assets between 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 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 2025-26	
Direct costs	Basis of allocation
Power	Pumping head
Income treated as negative expenditure	Direct
Bulk supply / Bulk discharge	Direct
Renewals expensed	Direct
Local authority and Cumulo rates	Floor space
Abstraction charges / discharge consents	Direct
Costs associated with the Traffic Management Act and lane rental schemes	Direct
Statutory water softening	Direct
Routine repair and maintenance	Direct
Chemical costs	Direct
Finance, regulation and procurement costs	As per RAG2.10, 25% Retail, 19% Water Resources, 56% Water Network+
Insurance	FTE
Fines and penalties	Direct
Investigation costs	Direct
GSS payments	Direct
Non-GSS compensation payments	Direct
General costs	
HR and training	FTE
CEO, Corporate affairs and Governance	Time on activities and Board agenda
IT	Number of computers and mobile devices
Property management	Floor space
Vehicles and plant	Number of motor vehicles
Land and property	Direct and prorate on direct
Other support function and overheads	Direct / Floor space / FTE
Third-party services	Direct

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

(b) Methodology

The Company's detailed nominal ledger management information reports allows costs to be identified for each cost centre and therefore the direct costs of each business unit (e.g. Water Resources / Water Treatment) can be built up using these reports. The management reports allow for separate identification of direct costs relating to the retail functions of the business. The general and support costs of the business are not allocated by business unit in the nominal ledger and it is therefore necessary to use methods of allocation to be able to provide this level of detail.

The allocation of indirect costs between business unit areas is carried out using the Company's management information reports. Some indirect costs are capable of being charged directly to business units. However, with some indirect costs centres it is necessary to allocate costs between business units, using an appropriate cost driver. (e.g. direct material costs for the allocation of stores department costs.)

Wholesale operating cost analysis

The wholesale business of the Company consists of the following business units: Water Resources, Raw Water Distribution, Water Treatment and Treated Water Distribution.

Direct costs

Power

Power costs mainly relate to treatment works and pumping stations, including borehole sites, and are 100% wholesale. Power has been allocated based on the specific asset's consumption. Each individual location is invoiced and coded separately and bills provide the data for consumption and cost by location.

Where a pump asset consumes power for a dual purpose, a split based on pumping head has been used to allocate the cost between the functions. These dual functions are mainly water resources abstraction and treated water distribution, but in some cases, water treatment is a significant function and so consumes a proportion of the power. Where water treatment is a minor element (simple chlorination) of the asset function, then a 1% management estimate has been used to allocate costs to this business unit.

An allocation of costs for the bulk supply of water to Southern Water has been based on the pumping head at Slindon to Whiteways Lodge reservoir and from the Itchen Treatment Works.

Departmental costs

Operational costs are directly allocated to the relevant cost centre and work activity and can then usually be allocated directly to a business unit. In the IFS system, all direct employees either complete a timesheet, or if they are a supervisor or manager, they will have their costs allocated to the charge-out rates of their direct reports. Contracted costs are allocated to a location via work orders.

The following operational areas costs are directly attributed.

Production operations

Production operations have been directly allocated to wholesale. Direct costs booked to pumping stations, by production operations staff, are allocated between the business units on a management estimate and this reflects the high proportion of time spent at the treatment works. Ninety per cent of time is allocated here.

Costs relating to the Farlington and Itchen treatment works are allocated directly to Water Treatment.

Network operations

Network costs are split between wholesale and retail functions as follows:

- **Network technicians:** These costs are allocated to either Treated Water Distribution or Retail. Costs of debt recovery / disconnections consultations, query / complaint investigations (which turn out to be on the customer side of the network) and customer-side leaks are directly allocated by timesheets to retail. All other direct costs relate to Treated Water Distribution
- **Meter Readers:** These have their own cost centre code and this enables their salary and administration costs to be directly allocated to Retail
- **Leakage technicians:** The technicians and support staff also have their own department codes and are directly allocated to Treated Water Distribution
- **Network administration:** These costs are allocated to either Treated Water Distribution or Retail
- **Water regulations:** These costs are allocated 100% to Treated Water Distribution
- **Network maintenance:** These costs are mainly allocated to Treated Water Distribution. However, the costs of any customer-side leak repairs are allocated to Retail.

The remaining costs relate to office staff, some of whom perform retail activities (network customer queries) and the rest of whom are wholesale activities (scheduling and support). These staff are not directly charged to specific areas and a manual allocation is required.

Service charges

Abstraction charges are included here and are allocated directly to Water Resources.

Local authority rates

As per the table guidance, the costs of local authority rates are split on floor space. This includes the Head Office site, Farlington and Itchen treatment works, pumping stations and booster stations.

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Accounting policy notes

Other direct costs

These are largely attributable to individual business units. However, a management estimate of time spent carrying out the activities of the different business units was used to enable network administration costs to be allocated to individual business units.

General and support expenditure

This covers the other areas of the business which do not directly deliver services for customers and includes a range of costs that have each been identified and allocated in several ways.

- **Finance, regulation and procurement:** These have been allocated in the proportions specified in RAG 2.10
- **Insurance costs:** Allocation of insurance costs is directly to a business unit where possible and based on FTEs by business unit for the policies relating to employee liability and directors' and officers' liability. The remainder relates to building and contents insurance and is split on the floor space allocation between retail and wholesale
- **GSS and non-GSS payments:** GSS and other compensation payments are charged directly to the relevant area
- **People:** People department costs have been split on the basis of FTEs in each business unit, as per Ofwat guidance. These costs include staff welfare. However, any costs relating to water efficiency and promotional strategy have been directly allocated to Retail
- **CEO, Corporate Affairs and Governance:** Allocation for the Executive Directors is based on a management estimate of time spent on activities, including an analysis of the Board agendas during the year. Allocation for the Non-Executive Directors is based on the Board agenda analysis only. Corporate Affairs and Governance have been split on the basis of FTEs in each business unit
- **IT:** Appropriate costs are directly attributed; other costs are allocated based on the number of computers and mobile devices in each business unit
- **Property management:** The majority of costs are directly identifiable by operational location. The costs which are directly attributable to individual business units have been allocated based on the floor space occupied by the different functions at the head office
- **Other support functions:** The following departments and costs are allocated as follows:
 - **Operational and technical support:** Allocation of costs by business unit is on the GMEAV of asset additions in the year for Asset Planning and to Treated Water Distribution for Technical Services
 - **Vehicles and plant:** These costs, as per the Ofwat guidance, have been allocated on the basis of number of vehicles
 - **Materials storage:** As per the Ofwat guidance, this has been split on the basis of the allocation of direct costs of materials and consumables
 - **Pension costs:** The employer contribution costs of this have been allocated directly to departments, in line with the IFS payroll system. However, the FRS17 notional pension costs have been allocated on the basis of the Brockhampton pension costs in each business unit

- **National Insurance costs:** These costs have been allocated directly to departments, in line with the IFS payroll system
- **General administration:** The remaining general administration costs have been allocated directly to an individual business unit where possible. However, there are some costs that cannot be allocated directly and the treatment of these are as follows:
 - **Scientific Services:** The costs of Scientific Services have been split based on a management estimate of water samples taken for each business unit. The exception is catchment management, which is allocated entirely to Water Resources, as per the Ofwat guidance.

Other business activities

The costs of regulation have been allocated directly to business units where possible and evenly across all business units for any remaining costs, as per the Ofwat guidance. However, with only Highwood Reservoir in Raw Water Distribution, only 1% of the costs have been allocated here.

Third-party services opex

These costs relate directly to both the bulk supply of treated water to Southern Water and the costs of the distribution department for rechargeable works. These have therefore been directly allocated to Treated Water Distribution.

Historic cost depreciation

This allocation comes directly from the IFS fixed asset data. The allocation bases above are considered the most appropriate treatment for each of the cost areas. Management has taken consideration of the cost, time and appropriateness of other possible allocation methods and has decided that the above treatments are the most appropriate for the Company to apply at this time.

Significant changes in cost allocations

There were no significant changes to cost allocations in the year.

Retail operating cost allocation

The Retail business is located at the head office of the Company in Havant and consists of the following functions:

- Customer Services department (including Debt Recovery, postage and visiting officers)
- Print room (70% of costs are direct retail)
- Bad debt provision
- Meter reading.

Direct costs

The methodology for Retail is the same as the wholesale business. It identifies the direct costs of employment, materials and consumables and other direct costs which have been allocated between wholesale and retail. These relate to the costs of technicians, meter reading, network administration and the operations centre, as well as customer-side leaks.

In addition, there are costs which are direct retail costs and can be identified from the company nominal ledger reports. These are as follows:

- Customer Services department (including debt recovery and postage)
- Bad debt provision.

Below is a description of how the direct costs have been allocated to the retail activities. These are all household retail costs, as the Company exited the non-household retail market from 2017-18. In addition, the costs within household retail are allocated between measured and unmeasured customers. The definition of these line items is in RAG 4.14 and has been followed.

Customer Services consists of the following activities:

- Billing
- Payment handling, remittance and cash handling
- Non-network customer enquiries and complaints
- Network customer enquiries and complaints.

Billing: Direct employment costs of Customer Services staff are allocated to billing, as well as 70% of print room staff costs. Customer Service stationery is allocated 100% to billing activities and postage is allocated to billing based on the number of bills sent. A third of general management costs are allocated here.

The total billing cost is all household and this is allocated between measured and unmeasured customers based on the number of bills issued in these areas, as per the table guidance.

Payment handling, remittance and cash handling: Direct employment costs of Customer Services staff are allocated to this activity, as well as a proportion of Finance Services staff. Contract repairs and maintenance are allocated here and 25% of the software licence costs.

These costs are all household and allocated between measured and unmeasured customers based on the number of bills raised, as per the Ofwat guidance.

Non-network customer enquiries and complaints: Direct employment costs of Customer Service staff are allocated to this activity, as well as 33% of general management, 25% of the software licence costs and a proportion of telephone costs from general and administration.

The allocation between household measured and unmeasured customers is based on the number of non-network customer contacts recorded for each business unit, as per the table guidance.

Network customer enquiries and complaints: Direct employment costs of network technicians, network administration and the operations centre are allocated to this activity as well as other associated direct costs.

The allocation between household measured and unmeasured customers is based on the number of network customer contacts recorded for each business unit, as per the Ofwat guidance.

Debt management: Employment costs of the Customer Services debt recovery staff have been allocated to this activity, as well as debt recovery commission from third parties. Postage costs have been allocated to this activity and represent the remaining costs after the allocation to billing. A quarter of the software licence costs have been allocated here, as well as 33% of management salaries.

The allocation of these household costs between measured and unmeasured customers is based on the debt outstanding >30 days for each, at the end of March 2026.

Doubtful debts: Costs are allocated directly to this activity and all relate to household customers.

The measured doubtful debts provision amount is calculated separately from unmeasured and reflects the risk associated with the current outstanding debt. The remainder of the calculation relates to an allowance for the movement in total debt written off, which can also be directly allocated to measured and unmeasured customers.

Meter reading: Direct employment costs of meter readers are allocated to this activity, as detailed in the wholesale commentary above, including meter reading supervision. Associated transport costs are also allocated here. The costs are partially offset by billing commission income from Southern Water. All costs are allocated to measured customers.

Other operating expenditure consists of the following activities:

- Disconnections (customer contact only and not the physical disconnection)
- Demand side water efficiency initiatives
- Customer-side leaks
- General and support expenditure
- Other business activities.

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Demand-side water efficiency initiatives: These costs are directly identifiable and allocated to this retail activity. The costs include water efficiency and promotional strategy.

These household costs are allocated to measured and unmeasured customers based on the number of customers in each category.

Services to developers: These costs are the salaries of staff who deal directly with developers, with regard to new services and the associated supervisory costs. They were previously allocated directly to non-household retail, but from 2017-18, they have been allocated to wholesale as the non-household retail business was sold.

Customer-side leaks: These costs are directly identifiable and allocated to this retail activity as described in the wholesale commentary above.

All costs relate to household customers only. Costs are allocated to measured and unmeasured customers based on the number of customers in each category.

General and support expenditure: These costs represent the remaining costs not identified as being direct. Their allocation between the wholesale and retail business units is described above.

These household costs have been allocated between measured and unmeasured customers based on the number of customers in each category.

Historic cost depreciation: This allocation comes directly from the detailed fixed asset ledgers in IFS.

The Company's management is satisfied the costs and allocation methods used in the retail operating cost are the most appropriate. The guidance has largely been followed and on occasions where this is not the case, the Company has used its judgement to produce the most appropriate method of cost allocation in order to give accurate cost allocations.

Historic fixed asset ledgers

Tables in the Annual Performance Report require direct retail and water resources assets to be identified along with their associated depreciation. In addition, assets where there is a recharge from the principal use business unit to other business units e.g. to Retail from Treated Water Distribution (the principal use business unit) need to be identified.

The IFS system automatically reports assets by business unit and all future additions will be assigned a primary business unit and recharge business units for depreciation.

Household retail assets and depreciation are allocated to the measured and unmeasured categories based on the number of customers, except for vehicles relating to meter reading, which are all allocated to measured customers, as per the Ofwat guidance.

Asset allocations between business units

Infrastructure assets

Infrastructure assets have been allocated directly to Treated Water Distribution or Water Resources. The assets on 31 March 2008 had already been categorised as either raw water aqueducts or as potable water mains as part of the PR09 process in table B7.13 of the Company's final business plan submission. Infrastructure asset additions beyond this date have been allocated to the business unit that they belong in. All additions are directly allocated.

Other tangible assets, vehicles

The fixed asset schedules used in the preparation of these tables itemise each vehicle by registration reference. This enables the drivers and users of these vehicles to be identified. Where applicable, the vehicles have been allocated to one single business unit. Where direct allocation of vehicles to single business units was not possible then a consistent approach to allocation has been taken to that of the relevant operating costs.

Other tangible assets, small plant and meters

The small plant fixed asset ledger has been analysed and those plant items which were directly identifiable as being used for only one business unit have been allocated directly to that business unit. There are a number of small plant asset types that related to company departments whose activities straddle business units. These assets have been allocated on the same basis as the related operating costs.

Operational assets

Operational assets have been directly allocated to a single business unit where possible. Where this was not possible, assets have been allocated on bases consistent with the guidance document.

Offices and depots: Where business activities straddle business units, the assets have been allocated on a consistent basis with that of other assets which are utilised by the same department. The head office has been allocated based on floor area and then further allocated either directly to a single business unit or proportionally allocated based on management estimates for shared service areas. All other offices and depots have been allocated either directly or based on management estimates (as above).

Land: Land has largely been identified as attributable to one business unit. Ofwat has provided advice regarding a number of sites and how they should be allocated for the purposes of asset separation. Where land is used for the purposes of more than one business unit, the land has been allocated accordingly. Technical drawings of the sites have been used to allocate the land to each business unit on the basis of floor area.

Service reservoirs and treatment works: These assets have been allocated directly to individual business units.

Pumping stations: Pumping station assets have been allocated directly to individual business units, where possible, using the asset inventory category mapping tables supplied by Ofwat. These allocations have been verified by the Production Manager. There are only a small number of assets that required allocation to more than one business unit.

Telemetry assets: These have been allocated to a number of business units based on a management estimate produced by the Production Manager and Regulatory Accountant.

Capitalisation policy

The Company classifies costs as either capital expenditure or operating expenditure based on a number of factors. These include the value, nature and purpose of the expenditure. There is a Capitalisation policy that gives details of the criteria used to classify costs across all the departments.

A detailed capital programme is drawn up each year. This is approved by the Company's Board and incorporated into the annual budget. Following Board approval, individual schemes are programmed for the coming year by project managers responsible for delivering the schemes. The project managers are responsible for the control of expenditure on the schemes and authorise each individual item of expenditure incurred. The Financial Controller reviews the scheme expenditure to ensure the correct accounting treatment has been applied.

On a monthly basis, the capital expenditure relating to the Board-approved capital schemes is reviewed by the Financial Controller, prior to submission to the Board of a monthly capital statement that shows authorised amounts. This report details the expenditure by scheme. Any material variances are investigated and resolved.

For small plant and equipment and vehicles, a list is drawn up and approved by the Company's Board. Purchases made are reviewed to ensure these are all capital items. The policy adopted by the Company is that only items above £500 are capitalised.

This process is audited as part of our statutory audit. Capitalised costs include contractor invoices, stores issues, direct labour charged to schemes plus on-cost recovery and the design and supervision staff costs related to project management.

The Executive Directors ensure the capitalisation policies and procedures adopted by the business are being operated correctly and they are fit for purpose by regular review of the business processes and by regular review of the capital scheme expenditure totals. The Chief Financial Officer and Financial Controller ensure the company complies with the current accounting standards applicable to the Company.

Section 2 – Price review and other segmental reporting

Notes on the price review and other segmental reporting

Revenue price control analysis

Household retail

Revenue is in line with the amount implicit in the tariff setting for 2025-26, which complied with the PR24 final determination.

	Actual £000	FD £000	Difference £000
Household			
Unmeasured	3,535	4,169	(634)
Measured	3,433	2,890	543
Total retail	6,968	7,059	(91)

Operating expenditure within the household retail price control was £8.1 million and depreciation and recharges were £0.8 million and £0.5 million respectively.

This breakdown in operating costs include:

- Debt management and doubtful debts are £0.3 million; there is a greater focus on managing debt and ensuring the dunning path is followed
- Customer Services department costs were £3.4 million; a change in annual billing periods from July to April increased associated costs. These were offset by reduced Kraken migration costs from the previous year
- Local authority and Cumulo rates remained consistent at £0.1 million, albeit with a small inflationary increase
- Meter reading costs are £0.5 million, reflecting increased focus on measured properties and additional Kraken licence cost allocation
- Other operating costs include an allocation of central costs of £3.3 million
- Depreciation costs are £0.8 million reflecting increased PR24 costs and recharges including the use of the head office building in Havant of £0.5 million.

Wholesale price control analysis

	Actual £000	FD £000	Difference £000
Household			
Unmeasured	21,677	22,537	(860)
Measured	15,786	16,089	(303)
Non-household			
Unmeasured	362	335	27
Measured	12,059	12,811	(752)
Wholesale revenue (Grants and contributions)	49,884	51,772	(1,888)

We have compared actual revenue with that implicit in tariff setting for 2025-26; revenue variance was £1.9 million lower before adjustments. The reduction is composed of several factors, including ensuring all customers entitled to the Social tariff are allocated as such, and an increase in void properties which affects both measured and unmeasured. There has been a greater focus on moving customers to measured charges, reflected in the reduced unmeasured income. We collected £20.2 million in contributions from Southern Water relating to Havant Thicket Reservoir.

The variances between household measured and unmeasured wholesale revenues are due to higher numbers of measured customers than forecast. Volumes for measured customers are marginally above our reforecast.

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

The total variance of wholesale revenue relative to the FD is 3.7%.

Retail cost narrative for material changes

The summary below explains the major changes in retail costs since last year and an explanation of the differences.

Overall, Retail operating expenditure has increased by 21% (£1.4 million), with the movement by categories as shown below:

	Change 2026 vs 2025
Customer Services	-24%
Debt management	+34%
Doubtful debts	-130%
Meter reading	+162%
Local authority rates	+2%

- Customer Services costs have decreased by 26%, stabilising from the 2024-25 high following the implementation of the Kraken CRM system.
- Debt management charges have increased due to increased billing software costs and bill inserts.
- The doubtful debts provision has decreased due to aged debt write offs.
- Meter reading costs have increased due to increased staff and software costs.
- Local authority rates have increased by 2%.

Section 3 – Performance summary

Table 3A

3A Outcome performance – all performance commitments

Outcome performance - all performance commitments							
Line description	Unit	Decimal places	Performance level - actual	PCL met? (Yes/No)	Out-performance or under-performance payment £m	Total 2025-30 out-performance or under-performance payment £m	RAG 4 reference
Common PCs - Water (Financial)							
Biodiversity	Biodiversity units gained	2	0.00	Yes	0.00	0.00	3A.1
Business demand	% reduction of three-year average business demand	1	5.1	No	(0.12)	(0.12)	3A.2
Compliance risk index (CRI)	Number	2	0.45	No	0.00	0.00	3A.3
Customer contacts about water quality	Number of customer contacts per 1000 population (MI/d)	2	0.56	No	(0.06)	(0.06)	3A.4
Discharge permit compliance	% compliance	2	100.00	Yes	0.00	0.00	3A.5
Greenhouse gas emissions (water)	% reduction in greenhouse gas emissions	2	(0.01)	No	(0.07)	(0.07)	3A.6
Leakage	% reduction of three-year average leakage (MI/d)	1	4.0	No	(1.38)	(2.89)	3A.7
Repairs to burst mains	Number of mains repairs per 1,000km	1	70.6	No	0.00	0.00	3A.9
Per capita consumption	% reduction of three-year average PCC in (l/person/d)	1	(0.1)	No	(0.28)	(0.72)	3A.10
Serious pollution incidents	Number of serious pollution incidents	-	0	Yes	0.00	0.00	3A.12
Unplanned outage	% loss of company peak production capacity	2	4.42	Yes	0.49	0.64	3A.13
Water supply interruptions	average number of minutes lost per customer	0	00:04:53	Yes	0.01	0.41	3A.14

Performance commitment assurance

To ensure we are compliant with regulatory reporting requirements and report accurate data, both internally and externally, we apply various assurance controls. These include first and second-line internal assurance and third-line assurance with our external partners Jacobs for year-end reporting, along with ad hoc requests to clarify reporting requirements as and when necessary.

While we do apply a risk matrix to identify levels of criticality in terms of potential exposure, we make sure all performance commitments have the highest possible third-party assurance. Therefore, all performance commitments (with the exception of CRI) have a thorough audit of our methodology and data – tracing data back to source systems and testing if our approach meets regulatory guidelines.

CRI is excluded as the Drinking Water Inspectorate informs us of our performance and there are no further activities associated with reporting this performance. Where we identify unusual levels of risk, we ask third-party providers to conduct process reviews throughout the year in addition to year-end data assurance, to ensure we can identify and rectify potential issues. For our 2025-26 reporting, we carried out process audits for seven performance commitments. In addition, we worked with an external consultant early in 2025 to ensure readiness ahead of reporting the new performance commitments for 2025-26.

Our third-party assurance report can be found on our website.

Section 3 – Performance summary

Commentary on performance commitments

Biodiversity performance of 0 has met the target of 0. As this is a new performance commitment in 2025-30 there is no prior year comparison. There is no associated reward associated with meeting this target. We forecast the total performance payments in 2025-30 will be £0 million, this is based on a continuation of our performance in 2025-26.

Business demand performance of 31.9 million litres per day (MI/d) has missed the target of 30.6 MI/d. As this is a new performance commitment in 2025-30 there is no prior year comparison. There will be an associated penalty of circa £0.1 million. We forecast the total underperformance payments in 2025-30 will be circa £0.1 million, this is based on our performance in year one, with improvement strategies to meet targets in future years.

Compliance Risk Index performance of 0.45 has met the deadband target of 1.83. Performance in 2025 is a continuation from the prior year (0.45). There is no associated reward associated with meeting this target. We forecast the total performance payments in 2025-30 will be £0 million, this is based on our performance last year.

Water quality contacts performance of 0.56 has missed the target of 0.44. Performance in 2025 is a deterioration from the prior year (0.49). There will be an associated penalty of £0.1 million. We forecast the total underperformance payments in 2025-30 will be circa £0.1 million, this is based on performance seen in year one of 2025-30, with improvement strategies to improve performance in future years.

Discharge permit compliance performance of 100% has met the target of 83%. As this is a new performance commitment in 2025-30 there is no prior year comparison. There is no associated reward associated with meeting this target. We forecast the total performance payments in 2025-30 will be £0 million, this is based on continuation of our performance in 2025-26.

Greenhouse gas emissions performance of 7,383 tCO₂e has missed the target of 7,004 tCO₂e. As this is a new performance commitment in 2025-30 there is no prior year comparison. There will be an associated penalty of £0.1 million. We forecast the total underperformance payments in 2025-30 will be circa £0.1 million, this is based on performance seen in year one with improvement strategies to meet targets in future years.

Leakage performance of 34.0 MI/d has missed the target of 30.8 MI/d. Performance in 2025-26 is an improvement on the prior year (35.4 MI/d). There will be an associated penalty of £1.4 million. We forecast the total underperformance payments in 2025-30 will be circa £2.9 million, this is based on our leakage recovery plan.

Repairs to burst mains performance of 70.6 (per 1,000km) has met the deadband target of 77.3 (per 1,000km). Performance in 2025-26 is a deterioration from the prior year (66.8 per 1,000km). There is no associated reward associated with meeting this target. We forecast the total performance payments in 2025-30 will be £0 million, this is based on our performance in year one and continuation of our strong performance in 2020-25.

Per capita consumption (PCC) performance of 154.1litres per head per day (l/h/d) has missed the target of 148.5 l/h/d. Our performance in 2025-26 is a deterioration from the prior year (153.6 l/h/d). There will be an associated penalty of £0.3 million. We forecast the total underperformance payments in 2025-30 will be £0.7 million, this is based on our PCC recovery plan.

Serious pollution incidents performance of 0 has met the target of 1. As this is a new performance commitment in 2025-30 there is no prior year comparison. There is no associated reward associated with meeting this target. We forecast the total performance payments in 2025-30 will be £0 million, this is based on a continuation of our performance in 2025-26.

Unplanned outage performance of 4.4% has met the target of 6.8%. As this is a new performance commitment in 2025-30 there is no prior year comparison. There will be an associated reward of £0.5 million. We forecast the total outperformance payments in 2025-30 will be £0.6 million, this is based on our performance in year one and a reducing target in 2025-30.

Water supply interruptions performance of 4 mins 53 secs has met the target of 5 mins. Our performance in 2025-26 is a deterioration from the prior year (2 mins 1 sec). There will be an associated reward of £0.01 million. We forecast the total performance payments in 2025-30 will be circa £0.4 million, this is based on our strong performance in previous years.

BR-MeX performance of 1st has met the target of upper quartile. As this is a new performance commitment in 2025-30 there is no prior year comparison. There will be an associated reward of circa £0.2 million. We forecast the total performance payment in 2025-30 will be circa £0.6 million, this is based on our performance in year one of 2025-30.

C-MeX performance of 2nd has met the target of upper quartile. Our performance in 2025-26 is an improvement from the prior year (4th). There will be an associated reward of circa £0.4 million. We forecast the total performance payments in 2025-30 will be circa £1.4 million, this is based on our strong performance in previous years.

D-MeX performance of 2nd has met the target of upper quartile. Our performance in 2025-26 is a deterioration from the prior year (1st). There will be an associated reward of circa £0.2 million. We forecast the total performance payments in 2025-30 will be circa £0.6 million, this is based on our performance in previous few years. Further details about our delivery in 2025-26 can be found in the Company direction and performance section above.

Section 3 – Performance summary

Tables 3B to 3G

3B Underlying data - measures of experience performance commitments

Underlying data - measures of experience performance commitments			
Line description	Unit	Value	RAG 4 reference
Business customers in Wales measure of experience			
Business customers in Wales measure of experience contact survey	Number	0.00	3B.1
Business customers in Wales measure of experience non-contact survey	Number	0.00	3B.2
Business customers in Wales score	Number	0.00	3B.3
Business customer and retailer measure of experience (BR-MeX)			
Annual customer satisfaction score for the Business customer contact survey (B-Mex)	Number	78.64	3B.4
Annual retailer satisfaction score for the Retailer experience survey (R-Mex)	Number	84.78	3B.5
Annual MPF Score	Number	97.55	3B.6
Annual BR-MeX score	Number	84.90	3B.7
Customer measure of experience (C-MeX)			
Annual customer satisfaction score for the customer service survey	Number	74.77	3B.8
Annual customer satisfaction score for the customer experience survey	Number	75.48	3B.9
Annual C-MeX score	Number	75.00	3B.10
Total household complaints	Number	871	3B.11
Total connected household properties	Number	313,932	3B.12
Total household complaints per 10,000 connections	Number	27.74	3B.13
Developer measure of experience (D-MeX)			
Developer satisfaction (small developers) qualitative component annual results	Number	83.38	3B.14
Developer satisfaction (large developers) qualitative component annual results	Number	80.83	3B.15
Quantitative component annual results	Number	99.98	3B.16
D-MeX score	Number	88.06	3B.17
Levels of service performance metrics		Reporting period (1 April to 31 March)	
Calculating the D-MeX quantitative component			
W1.1	%	100.00%	3B.W1
W2.1	%	100.00%	3B.W2
W3.1	%	99.77%	3B.W3
W4.1	%	99.64%	3B.W4
W5.1	%	100.00%	3B.W5
W6.1	%	100.00%	3B.W6
W8.1	%	100.00%	3B.W7
W16.1	%	100.00%	3B.W8
W17.1	%	100.00%	3B.W9
WN1.1	%	100.00%	3B.W10
WN2.1	%	100.00%	3B.W11
WN2.2	%	100.00%	3B.W12
WN3.1	%	100.00%	3B.W13
WN4.1	%	100.00%	3B.W14
WN4.3	%	100.00%	3B.W15
SLPM S1/1	%	100.00%	3B.W16
SLPM S1/2	%	100.00%	3B.W17
SLPM S2/1a	%	100.00%	3B.W18
SLPM S2/2a	%	100.00%	3B.W19
SLPM S2/1b	%	100.00%	3B.W20
SLPM S2/2b	%	100.00%	3B.W21
SLPM S3	%	100.00%	3B.W22
SLPM S4/1	%	100.00%	3B.W23
SLPM S5/1b	%	100.00%	3B.W24
SLPM S7/1	%	100.00%	3B.W25
D-MeX quantitative score (for the reporting period)	%	99.98%	3B.18

3C Underlying calculations and supplementary data - customer facing performance commitments

Underlying calculations and supplementary data - customer facing performance commitments						
Line description	Unit	Standardising data indicator	Standardising data numerical value	Performance level - actual (current reporting year)	Performance level - Calculated (i.e. standardised)	RAG 4 reference
Customer contacts about water quality						
Customer contacts - taste and odour	Number of contacts per 1,000 resident population	Resident population (thousands)	756025.00	204.000	0.27	3C.7
Customer contacts - appearance	Number of contacts per 1,000 resident population	Resident population (thousands)	756025.00	217.00	2.87	3C.8
Customer contacts about water quality	Number of contacts per 1,000 resident population	Resident population (thousands)	756025.00	421.00	0.56	3C.9
Line description	Unit	Standardising data indicator	Standardising data numerical value	Total minutes lost	Number of properties supply interrupted	Calculated performance level
Water supply interruptions						
Water supply interruptions (≥3 hours)	Average number of minutes lost per property per year	Number of properties (thousands)	329	1186268	5,121	00:03:36 3C.10
Water supply interruptions (≥6 hours)	Average number of minutes lost per property per year	Number of properties (thousands)	329	351666	673	00:01:04 3C.11
Water supply interruptions (≥12 hours)	Average number of minutes lost per property per year	Number of properties (thousands)	329	21042	22	00:00:04 3C.12
Water supply interruptions (≥24 hours)	Average number of minutes lost per property per year	Number of properties (thousands)	329	47520	1	00:00:09 3C.13

Section 3 – Performance summary

Tables 3B to 3G

3D Underlying calculations and supplementary data - demand common performance commitments

Underlying calculations and supplementary data - demand common performance commitments													
Line description	Units	DPs	2017-18 baseline	2018-19 baseline	2019-20 baseline	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	RAG 4 reference
Leakage - company level													
Annual average leakage	MI/d	1	39.1	35.6	31.4	36.4	32.3	33.4					3D.1
Three-year average leakage	MI/d	1			35.4			34.0					3D.2
% reduction in 3 - year average leakage from 2019-20 baseline	%	1						4.0					3D.3
Per capita consumption- company level													
Annual average PCC	l/h/d	1	144.3	148.9	143.5	151.6	157.0	153.8					3D.10
Three-year average PCC	l/h/d	1			145.6			154.1					3D.11
% reduction in 3 - year average PCC from 2019-20 baseline	%	1						(5.8)					3D.12
Annual household consumption level	MI/d	1						112.9					3D.13
Total household population	000s	3						733.9					3D.14
Business demand - company level - performance													
Annual average business demand (incl. voids)	MI/d	1	33.3	34.4	33.2	32.6	31.6	31.5					3D.25
Three-year average business demand (incl. voids)	MI/d	1			33.6			31.9					3D.26
% reduction in 3 - year average business demand from 2019-20 baseline (incl. voids)	%	1						5.1					3D.27
Annual average business consumption (excl. voids)	MI/d	1						31.4					3D.28
Annual average business voids consumption	MI/d	1						0.1					3D.29
Business demand - company level - annual changes													
Annual average business demand (incl. voids) variance of reporting year from previous year	MI/d	1						(0.1)					3D.30
Increase in business demand in reporting year due to new business demand (new supply points).	MI/d	1						0.9					3D.31
Changes in existing business demand (existing supply points) in reporting year compared to previous year.	MI/d	1						(1.0)					3D.32

3E Underlying calculations and supplementary data - environmental common performance commitments

Underlying calculations and supplementary data - environmental common performance commitments							
Line description	Unit	Standardising data indicator	Standardising data numerical value	Performance level - Actual (current reporting year)	Performance level - Calculated (i.e. standardised)		RAG 4 reference
Serious pollution incidents							
Number of serious pollution incidents (water)	Number			0	0		3E.1
Number of serious pollution incidents (wastewater)	Number			0	0		3E.2
Number of serious pollution incidents	Number			0	0		3E.3
Line description	Unit	Standardising data indicator	Standardising data numerical value	Baseline	Current reporting year	Performance level - Net change	Performance level - Calculated (i.e. standardised)
Biodiversity							
Biodiversity net change - area	Net change in biodiversity per 100km2	Company land area (100km2)	864.00	25.18	25.18	0.00	0.00
Biodiversity net change - hedgerow	Net change in biodiversity per 100km2	Company land area (100km2)	864.00	2.12	2.12	0.00	0.00
Biodiversity net change - river	Net change in biodiversity per 100km2	Company land area (100km2)	864.00	0.00	0.00	0.00	0.00
Biodiversity net change - total	Net change in biodiversity per 100km2	Company land area (100km2)	864.00	27.30	27.30	0.00	0.00
Line Description		Unit	Actual tCO2e	RAG 4 reference			
Operational greenhouse gas emissions (water)							
Scope one emissions							
Direct emissions from burning of fossil fuels (location-based)			tCO2e	85.63			
Process and fugitive emissions (incl. refrigerants)			tCO2e	12.31			
Emissions from vehicle transport (owned or leased)			tCO2e	333.58			
Emissions from land			tCO2e	0.00			
Total scope one emissions			tCO2e	431.52			
Scope two emissions							
Purchased electricity (location-based)			tCO2e	4459.07			
Purchased heat			tCO2e	0.00			
Electric vehicles			tCO2e	0.00			
Removal of electricity to charge electric vehicles			tCO2e	0.00			
Total scope two emissions			tCO2e	4459.07			
Scope three emissions							
Business travel on public transport and private vehicles used for company business			tCO2e	11.65			
Outsourced activities			tCO2e	336.62			
Purchased electricity: extraction, production, transmission and distribution (location based)			tCO2e	1571.90			
Purchased heat: extraction, production, transmission and distribution			tCO2e	0.00			
Purchased fuels: extraction, production, transmission and distribution			tCO2e	95.38			
Chemicals			tCO2e	509.74			
Total scope three emissions			tCO2e	2525.29			
Emissions reductions							
Exported renewables (generated onsite and exported)			tCO2e	32.49			
Exported biomethane (generated onsite and exported)			tCO2e	0.00			
Insets			tCO2e	0.00			
Total emissions reductions			tCO2e	32.49			
Baseline tCO2e (2024-2025)			tCO2e	7312.92			
Gross emissions			tCO2e	7415.88			
Net emissions			tCO2e	7383.39			
Percentage reduction from 2024-25 baseline (tonnes CO2e)			%	(0.01)			
Emissions by base expenditure			tCO2e	0.00			
Emissions by enhancement expenditure			tCO2e	0.00			
Emissions by net zero enhancement scheme			tCO2e	0.00			

In 2025–26, one biodiversity survey was conducted, with a total cost of £0.0005m

Section 3 – Performance summary

Tables 3B to 3G

3F Underlying calculations- asset health common performance commitments

Underlying calculations- asset health common performance commitments						
Line description	Unit	Standardising data indicator	Standardising data numerical value	Performance level - Actual (current reporting year)	Performance level - Calculated (i.e. standardised)	RAG 4 reference
Repairs to burst mains						
Mains repairs - Reactive	Mains repairs per 1,000km	Mains length in km	3415.3	152.0	44.5	3F.1
Mains repairs - Proactive	Mains repairs per 1,000km	Mains length in km	3415.3	89.0	26.1	3F.2
Mains repairs	Mains repairs per 1,000km mains length	Mains length in km	3415.3	241.0	70.6	3F.3
Line description	Unit		Current company level peak week production capacity (PWPC) MI/d	Reduction in company level PWPC MI/d	Outage proportion of PWPC %	
Unplanned outage						
Unplanned outage	% loss of company peak week production capacity		315.32	13.94	4.42%	3F.5

3G Underlying calculations- compliance based common performance commitments

Underlying calculations- compliance based common performance commitments						
Line description	Unit	Standardising data indicator	Standardising data numerical value	Performance level - Actual (current reporting year)	Performance level - Calculated (i.e. standardised)	RAG 4 reference
Discharge permit compliance						
Discharge permit compliance (water)	% permit compliance	Number of numeric discharge permits (water)	6.00	0.00	100.00	3G.1
Discharge permit compliance (wastewater)	% permit compliance	Number of numeric discharge permits (wastewater)	0.00	0.00	-	3G.2
Discharge permit compliance	% permit compliance	Number of numeric discharge permits (total)	6.00	0.00	100.00	3G.3
Compliance risk index						
Water treatment works compliance risk index score	Number			0.45		3G.4
Service reservoirs compliance risk index score	Number			0.00		3G.5
Supply points compliance risk index score	Number			0.00		3G.6
Customer zones compliance risk index score	Number			0.00		3G.7
Compliance risk index	Number				0.45	3G.8



Section 4 – Additional regulatory information – service level Tables 4A to 4D

4A Water bulk supply information

Water bulk supply information for the 12 months ended 31 March 2026				
Line description	Volume	Operating costs	Revenue	
Units	Ml	£m	£m	RAG 4 reference
DPs	3	3	3	
Bulk supply exports				
SW-Hampshire	990.702	0.187	0.430	4A.1
SW-Sussex	1,384.715	0.310	0.350	4A.2
NAV-IWNL	236.790	0.063	0.130	4A.3
NAV-LEEP	270.340	0.072	0.190	4A.4
NAV-Last Mile	13.970	0.005	0.005	4A.5
NAV-AWIN	0.451	0.000	0	4A.6
Total bulk supply exports	2,896.968	0.637	1.105	4A.26

Line description	Volume	Operating costs	
Units	Ml	£m	
DPs	3	3	
Bulk supply imports			
Bulk supply 1	0.000	0.000	4A.27
Bulk supply 2	0.000	0.000	4A.28
Bulk supply 3	0.000	0.000	4A.29
Total bulk supply imports	0.000	0.000	4A.52

This table provides detail of the bulk supplies we made in 2025-26.

For this APR we continue to include bulk supplies to NAVs. We have four NAVs in our region in 2025-26.

The volumes and revenues for all 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 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 excluded the future bulk supply to Southern Water which will be available when Havant Thicket Reservoir is constructed. The sum of £1.105 million relates to payments by both Southern Water (£0.78 million) and the NAVs (£0.32 million) in the year.

This data has been audited by Jacobs.

4B Analysis of debt

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



Section 4 – Additional regulatory information – service level Tables 4A to 4D

4C Actual expenditure against cost allowances by cost sharing rate

Actual expenditure against cost allowances by cost sharing rate									
Line description	Units	DPs	12 months ended 31 March 2026			Price control period to date			RAG 4 reference
			Water resources	Water network plus	Additional water control	Water resources	Water network plus	Additional water control	
Standard base									
Final determination allowed totex	£m	3	6.471	34.112	0.000	6.471	34.112	0.000	4C.1
Actual totex	£m	3	4.907	43.688	0.000	4.907	43.688	0.000	4C.2
Disallowable costs	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4C.3
Total actual totex	£m	3	4.907	43.688	0.000	4.907	43.688	0.000	4C.4
Variance	£m	3	(1.564)	9.576	0.000	(1.564)	9.576	0.000	4C.5
Variance due to timing of expenditure	£m	3	(1.325)	8.489	0.000	(1.325)	8.489	0.000	4C.6
Variance due to efficiency	£m	3	(0.239)	1.087	0.000	(0.239)	1.087	0.000	4C.7
Company cost sharing rate - outperformance	%	2	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	4C.8
Company cost sharing rate - underperformance	%	2	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	4C.9
Company share of totex outperformance	£m	3	(0.120)	0.000	0.000	(0.120)	0.000	0.000	4C.10
Company share of totex underperformance	£m	3	0.000	0.544	0.000	0.000	0.544	0.000	4C.11
Business rates									
Final determination allowed totex	£m	3	0.396	1.424	0.000	0.396	1.424	0.000	4C.12
Actual totex	£m	3	0.313	1.133	0.000	0.313	1.133	0.000	4C.13
Variance	£m	3	(0.083)	(0.291)	0.000	(0.083)	(0.291)	0.000	4C.14
Company cost sharing rate	%	2	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	4C.15
Company share of outperformance	£m	3	(0.008)	(0.029)	0.000	(0.008)	(0.029)	0.000	4C.16
Company share of underperformance	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4C.17
Abstraction charges and discharge consents									
Final determination allowed totex	£m	3	1.586	0.000	0.000	1.586	0.000	0.000	4C.18
Actual totex	£m	3	1.461	0.000	0.000	1.461	0.000	0.000	4C.19
Variance	£m	3	(0.125)	0.000	0.000	(0.125)	0.000	0.000	4C.20
Company cost sharing rate	%	2	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	4C.21
Company share of outperformance	£m	3	(0.031)	0.000	0.000	(0.031)	0.000	0.000	4C.22
Company share of underperformance	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4C.23
Standard enhancement									
Final determination allowed totex	£m	3	0.782	11.700	51.286	0.782	11.700	51.286	4C.24
Actual totex	£m	3	0.135	11.555	81.364	0.135	11.555	81.364	4C.25
Disallowable costs	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4C.26
Total actual totex	£m	3	0.135	11.555	81.364	0.135	11.555	81.364	4C.27
Variance	£m	3	(0.647)	(0.145)	30.078	(0.647)	(0.145)	30.078	4C.28
Variance due to timing of expenditure	£m	3	(0.647)	(0.145)	30.078	(0.647)	(0.145)	30.078	4C.29
Variance due to efficiency	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4C.30
Company cost sharing rate - outperformance	%	2	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	4C.31
Company cost sharing rate - underperformance	%	2	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	4C.32
Company share of totex outperformance	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4C.33
Company share of totex underperformance	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4C.34
25:25 enhancement									
Final determination allowed totex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4C.35
Actual totex	£m	3							4C.36
Disallowable costs	£m	3							4C.37
Total actual totex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4C.38
Variance	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4C.39
Variance due to timing of expenditure	£m	3							4C.40
Variance due to efficiency	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4C.41
Company cost sharing rate - outperformance	%	2	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	4C.42
Company cost sharing rate - underperformance	%	2	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	4C.43
Company share of totex outperformance	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4C.44
Company share of totex underperformance	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4C.45

Section 4 – Additional regulatory information – service level Tables 4A to 4D

4C Actual expenditure against cost allowances by cost sharing rate (continued)

Actual expenditure against cost allowances by cost sharing rate									
Line description	Units	DPs	12 months ended 31 March 2026			Price control period to date			RAG 4 reference
			Water resources	Water network plus	Additional water control	Water resources	Water network plus	Additional water control	
40:10 enhancement									
Final determination allowed totex	£m	3	1.327	0.000	0.000	1.327	0.000	0.000	4C.46
Actual totex	£m	3	0.781	0.000	0.000	0.781	0.000	0.000	4C.47
Disallowable costs	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4C.48
Total actual totex	£m	3	0.781	0.000	0.000	0.781	0.000	0.000	4C.49
Variance	£m	3	(0.546)	0.000	0.000	(0.546)	0.000	0.000	4C.50
Variance due to timing of expenditure	£m	3	(0.546)	0.000	0.000	(0.546)	0.000	0.000	4C.51
Variance due to efficiency	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4C.52
Company cost sharing rate - outperformance	%	2	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	4C.53
Company cost sharing rate - underperformance	%	2	40.00%	40.00%	40.00%	40.00%	40.00%	40.00%	4C.54
Company share of totex outperformance	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4C.55
Company share of totex underperformance	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4C.56
Totex not subject to cost sharing									
Final determination allowed totex - not subject to cost sharing	£m	3	0.000	2.682	0.000	0.000	2.682	0.000	4C.68
Actual totex - not subject to cost sharing	£m	3	0.170	2.349	0.000	0.170	2.349	0.000	4C.69
Variance	£m	3	0.170	(0.333)	0.000	0.170	(0.333)	0.000	4C.70
Variance due to timing	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4C.71
Variance for company	£m	3	0.170	(0.333)	0.000	0.170	(0.333)	0.000	4C.72
Total company variance	£m	3	0.011	0.182	0.000	0.011	0.182	0.000	4C.73

Section 4 – Additional regulatory information – service level Tables 4A to 4D

4D Totex analysis – water resources and water network+

Totex analysis for the 12 months ended 31 March 2026 - water resources and water network+									
Line description	Units	DPs	Water resources	Network+			Additional water control	Total	RAG 4 reference
				Raw water distribution and storage	Water treatment	Treated water distribution			
Operating expenditure									
Base operating expenditure	£m	3	6.370	0.480	7.536	19.413	0.000	33.799	4D.1
Enhancement operating expenditure	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4D.2
Total operating expenditure	£m	3	6.370	0.480	7.536	19.413	0.000	33.799	4D.3
Capital expenditure									
Base capital expenditure	£m	3	0.479	0.008	5.680	14.043	0.000	20.210	4D.4
Enhancement capital expenditure	£m	3	0.918	0.000	0.573	10.997	81.364	93.852	4D.5
Total gross capital expenditure	£m	3	1.397	0.008	6.253	25.040	81.364	114.062	4D.6
Gross totex - water	£m	3	7.767	0.488	13.789	44.453	81.364	147.861	4D.7
Atypical expenditure									
Item 1	£m	3						0.000	4D.8
Item 2	£m	3						0.000	4D.9
Item 3	£m	3						0.000	4D.10
Item 4	£m	3						0.000	4D.11
Item 5	£m	3						0.000	4D.12
Total atypical expenditure	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4D.13

Section 4 – Additional regulatory information – service level Wholesale totex analysis

Wholesale totex variance analysis

In the PR24 Final Determination (FD), the allowed wholesale totex expenditure is £125.9 million, in 2025-26 prices. The table below shows the comparison of the allowed expenditure against the actual expenditure for 2025-26.

Summary comparison of totex expenditure against FD allowed expenditure.

2025-26 prices	FD totex £000	Actual £000	Variance £000
Base operating costs	28,565	29,353	(788)
Abstraction costs and rates	1,793	1,461	332
Local authority and Cumulo rates	2,057	1,446	611
Developer services	1,892	906	986
Third-party operating expenditure	444	634	(190)
Enhancement operating expenditure	862	-	862
Total operating expenditure	35,613	33,800	1,813
Base capital costs	17,140	19,227	(2,087)
Developer services	438	983	(545)
Third-party capex	-	-	-
Enhancement capital expenditure	14,751	12,488	2,263
Havant Thicket Reservoir	57,985	81,364	(23,379)
Total capital expenditure	90,314	114,062	(23,748)
Wholesale totex	125,927	145,788	(19,861)

Further detail on the variances is given below.

Wholesale opex and capex

Total operating expenditure was £33.8 million, £1.8 million lower than the FD. The lower than planned spend was reflected in all spend groupings, base operating costs, abstraction costs, rates and developer services. While base spend was lower than planned, year-on-year spend on power has increased because of geo-political uncertainties and newly introduced levies.

Total capital expenditure was £114.1 million, £23.7 million higher than planned in the FD, driven principally by Havant Thicket Reservoir (see below). Elsewhere, spend on base capital investment was broadly in line with the FD planned spend while enhancement spend was £2.6 million lower than planned in the FD.

Enhancement totex

Excluding Havant Thicket Reservoir, enhancement expenditure is lower than the FD by £2.3 million in 2025-26.

In year spend on the 2025-30 (AMP 8) programmes includes £6.9 million of early spend on acceleration of our Demand Reduction Programme (smart water metering). Installations of meters are now live, while the prior year included pilot installations.

Our ERP system upgrade (IFS Cloud) has commenced this year with spend of £1.4 million on treated water distribution (2024-25 only incurred initial stages expenditure).

WINEP spend for the year was £0.8 million, which is lower than the FD allowance of £2.0 million. This is due to delays in landowner permissions, Environment Agency feedback and weather conditions, all of which contributed to some missed interim milestones. The forecast is to be back on track in terms of utilising the FD funding by 31 December 2026.

Further detail is shown in Table 4L.

Havant Thicket Reservoir

The Havant Thicket Reservoir programme spent £81.4 million, £23.4 million higher than included in the FD. This was due to a combination of catch-up of delayed 2020-25 works and preparation works preceding the next major programme milestone.

Section 4 - Additional regulatory information - service level Table 4H

4H Financial metrics

Financial metrics for the 12 months ended 31 March 2026					
Line description	Units	DPs	Current year	AMP to date	RAG 4 reference
Financial indicators					
Net debt	£m	3	306.885		4H.1
Regulatory equity	£m	3	334.775		4H.2
Regulatory gearing	%	2	47.83%		4H.3
Post tax return on regulatory equity	%	2	2.49%		4H.4
RORE (return on regulatory equity)	%	2	5.92%	5.92%	4H.5
Dividend yield	%	2	0.86%		4H.6
Retail profit margin - Household	%	2	(0.21%)		4H.7
Retail profit margin - Non household	%	2	0.00%		4H.8
Credit rating - Fitch	Text	n/a			4H.9
Credit rating - Moody's	Text	n/a	Baa2 (stable)		4H.10
Credit rating - Standard and Poor's	Text	n/a			4H.11
Return on RCV	%	2	5.00%		4H.12
Dividend cover	dec	2	2.16		4H.13
Funds from operations (FFO)	£m	3	30.117		4H.14
Interest cover (cash)	dec	2	3.76		4H.15
Adjusted interest cover ratio (ACICR)	dec	2	2.35		4H.16
FFO/Net debt	dec	2	0.10		4H.17
Effective tax rate	%	2	0.00%		4H.18
Retained cash flow (RCF)	£m	3	27.223		4H.19
RCF/Net debt	dec	2	0.09		4H.20
Borrowings					
Proportion of borrowings which are fixed rate	%	2	9.07%		4H.21
Proportion of borrowings which are floating rate	%	2	19.81%		4H.22
Proportion of borrowings which are index linked	%	2	71.12%		4H.23
Proportion of borrowings due within 1 year or less	%	2	8.99%		4H.24
Proportion of borrowings due in more than 1 year but no more than 2 years	%	2	0.00%		4H.25
Proportion of borrowings due in more than 2 years but no more than 5 years	%	2	19.47%		4H.26
Proportion of borrowings due in more than 5 years but no more than 20 years	%	2	71.12%		4H.27
Proportion of borrowings due in more than 20 years	%	2	0.42%		4H.28

The values included on the table do not include any rounding adjustments.

Section 4 - Additional regulatory information - service level 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 has specified that companies should provide a breakdown of their Adjusted Interest Cover Ratio (AICR), to show how the interest paid value used in the ratio ties back to the net interest paid in the cashflow statement.

		Interest Cover	Adjusted Interest Cover
Funds from operations	£m	30.43	30.43
Interest paid (cash)	£m	11.03	11.03
Regulatory depreciation	£m		15.51
Ratio		3.76	2.35

Section 4 – Additional regulatory information – service level Tables 4I to 4AC

4I Financial derivatives

Financial derivatives											
Line description Units DPs	Financial derivatives – Total								Interest rate (weighted average for 12 months to 31 March 2021)		RAG 4 reference
	Nominal value by maturity (net) at 31 March				Total value at 31 March		Total accretion at 31 March	Payable	Receivable		
	0 to 1 years	1 to 2 years	2 to 5 years	Over 5 years	Nominal value (net)	Mark to Market					
£m	£m	£m	£m	£m	£m	£m	%	%			
Interest rate swap (sterling)											
Floating to fixed rate	90.004	8.996			99.000	1.671	3.132%	4.170%	41.1		
Floating from fixed rate	0.000	0.000			0.000	0.000	0.000	0.000	41.2		
Floating to index linked	0.000	0.000			0.000	0.000	0.000	0.000	41.3		
Floating from index linked	0.000	0.000			0.000	0.000	0.000	0.000	41.4		
Fixed to index-linked	0.000	0.000			0.000	0.000	0.000	0.000	41.5		
Fixed from index-linked	0.000	0.000			0.000	0.000	0.000	0.000	41.6		
Index-linked to index-linked				131.703	131.703	(1.572)			41.7		
Total	90.004	8.996	0.000	131.703	230.703	0.099	0.000		41.8		
Foreign Exchange											
Cross currency swap USD					0.000				41.9		
Cross currency swap EUR					0.000				41.10		
Cross currency swap YEN					0.000				41.11		
Cross currency swap Other					0.000				41.12		
Total	0.000	0.000	0.000	0.000	0.000	0.000	0.000		41.13		
Currency interest rate											
Currency interest rate swaps USD					0.000				41.14		
Currency interest rate swaps EUR					0.000				41.15		
Currency interest rate swaps YEN					0.000				41.16		
Currency interest rate swaps Other					0.000				41.17		
Total	0.000	0.000	0.000	0.000	0.000	0.000	0.000		41.18		
Forward currency contracts											
Forward currency contracts USD					0.000				41.19		
Forward currency contracts EUR					0.000				41.20		
Forward currency contracts YEN					0.000				41.21		
Forward currency contracts CAD					0.000				41.22		
Forward currency contracts AUD					0.000				41.23		
Forward currency contracts HKD					0.000				41.24		
Forward currency contracts Other					0.000				41.25		
Total	0.000	0.000	0.000	0.000	0.000	0.000	0.000		41.26		
Other financial derivatives											
Other financial derivatives	0.000	0.000			0.000	0.065			41.27		
Total financial derivatives	90.004	8.996	0.000	131.703	230.703	0.164	0.000		41.28		

4I Financial derivatives (continued)

Financial derivatives											
Line description Units DPs	Financial derivatives – (D) Other swaps								Interest rate (weighted average for 12 months to 31 March 2021)		RAG 4 reference
	Nominal value by maturity (net) at 31 March				Total value at 31 March		Total accretion at 31 March	Payable	Receivable		
	0 to 1 years	1 to 2 years	2 to 5 years	Over 5 years	Nominal value (net)	Mark to Market					
£m	£m	£m	£m	£m	£m	£m	%	%			
Interest rate swap (sterling)											
Floating to fixed rate	90.004	8.996			99.000	1.671	3.132%	4.150%	41.113		
Floating from fixed rate	0.000	0.000			0.000	0.000	0.000	0.000	41.114		
Floating to index linked	0.000	0.000			0.000	0.000	0.000	0.000	41.115		
Floating from index linked	0.000	0.000			0.000	0.000	0.000	0.000	41.116		
Fixed to index-linked	0.000	0.000			0.000	0.000	0.000	0.000	41.117		
Fixed from index-linked	0.000	0.000			0.000	0.000	0.000	0.000	41.118		
Index-linked to index-linked				131.703	131.703	(1.572)			41.119		
Total	90.004	8.996	0.000	131.703	230.703	0.099	0.000		41.120		
Other financial derivatives											
Other financial derivatives	0.000			0.000	0.065				41.139		
Total financial derivatives	90.004	8.996	0.000	131.703	230.703	0.164	0.000		41.140		

Section 4 – Additional regulatory information – service level Tables 4I to 4AC

4J Base expenditure analysis - wholesale water

Base expenditure analysis for the 12 months ended 31 March 2026 - wholesale water								
Line description	Units	DPs	Water resources	Water network+			Total	RAG 4 reference
				Raw water distribution and storage	Water treatment	Treated water distribution		
Operating expenditure - operational								
Power	£m	3	2.460	0.000	0.501	2.474	5.435	4J.1
Income treated as negative expenditure	£m	3	0.000	0.000	0.000	0.000	0.000	4J.2
Bulk Supply/Bulk discharge	£m	3	0.000	0.000	0.000	0.000	0.000	4J.3
Renewals expensed in year (infra)	£m	3	0.000	0.000	0.000	0.132	0.132	4J.4
Renewals expensed in year (non-infra)	£m	3	0.006	0.000	0.000	0.000	0.006	4J.5
Local authority and Cumulo rates	£m	3	0.313	0.002	0.732	0.399	1.446	4J.6
Canal & River Trust abstraction charges/ discharge consents	£m	3	0.000	0.000	0.000	0.000	0.000	4J.7
Environment Agency / NRW abstraction charges/ discharge consents	£m	3	1.461	0.000	0.000	0.000	1.461	4J.8
Other abstraction charges/ discharge consents	£m	3	0.000	0.000	0.000	0.000	0.000	4J.9
Costs associated with Traffic Management Act	£m	3	0.000	0.000	0.000	0.251	0.251	4J.10
Costs associated with lane rental schemes	£m	3	0.000	0.000	0.000	0.039	0.039	4J.11
Statutory water softening	£m	3	0.000	0.000	0.000	0.000	0.000	4J.12
Routine repair and maintenance	£m	3	0.000	0.000	1.757	5.694	7.451	4J.13
Chemical costs - water	£m	3	0.000	0.000	0.842	0.000	0.842	4J.14
Finance, Regulation and Procurement costs - water	£m	3	0.475	0.470	0.470	0.485	1.900	4J.15
Insurance - water	£m	3	0.050	0.000	0.120	0.243	0.413	4J.16
Fines and penalties - water	£m	3	0.000	0.000	0.000	0.000	0.000	4J.17
Investigation costs - water	£m	3	0.000	0.000	0.000	0.000	0.000	4J.18
GSS payments - water	£m	3	0.000	0.000	0.000	0.629	0.629	4J.19
Non-GSS compensation payments - water	£m	3	0.000	0.000	0.000	0.000	0.000	4J.20
HR	£m	3	0.113	0.001	0.267	0.542	0.923	4J.21
Training	£m	3	0.015	0.000	0.034	0.070	0.119	4J.22
CEO, Corporate affairs and Governance	£m	3	0.166	0.002	0.158	0.455	0.781	4J.23
IT&T (business support)	£m	3	0.134	0.001	0.351	0.731	1.217	4J.24
Property management (business support)	£m	3	0.085	0.000	0.197	0.108	0.390	4J.25
Other support function and overheads opex - water	£m	3	0.924	0.004	1.926	5.968	8.822	4J.26
Developer services & Diversions opex								
Network reinforcement opex	£m	3		0.000	0.000	0.000	0.000	4J.27
Site-specific developer services opex	£m	3				0.899	0.899	4J.28
Diversions opex	£m	3		0.000		0.006	0.006	4J.29
Third-party opex - water								
Third-party opex - water	£m	3	0.168	0.000	0.181	0.288	0.637	4J.30
Total base operating expenditure	£m	3	6.370	0.480	7.536	19.413	33.799	4J.31
Capital expenditure								
Maintaining the long-term capability of the assets - infra	£m	3	0.000	0.000	0.000	5.324	5.324	4J.32
Maintaining the long-term capability of the assets - non-infra	£m	3	0.479	0.008	5.680	7.736	13.903	4J.33
Total base capital expenditure	£m	3	0.479	0.008	5.680	13.060	19.227	4J.34
Developer services & Diversions								
Network reinforcement capex	£m	3	0.000	0.000	0.000	0.017	0.017	4J.35
Site-specific developer services capex - water	£m	3	0.000	0.000	0.000	0.966	0.966	4J.36
Diversions capex - water	£m	3	0.000	0.000	0.000	0.000	0.000	4J.37
Third-party capex - water								
Third-party capex - water	£m	3	0.000	0.000	0.000	0.000	0.000	4J.38
Total base capital expenditure	£m	3	0.479	0.008	5.680	14.043	20.210	4J.39
Total base expenditure	£m	3	6.849	0.488	13.216	33.456	54.009	4J.40

4L Enhancement - water resources and water network+

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

4N Site-specific developer services expenditure services expenditure - network+

Site-specific developer services expenditure services expenditure for the 12 months ended 31 March 2026 - network+						
Line description	Units	DPs	Capex	Opex	Totex	RAG 4 reference
Water network+						
New connections costs - water	£m	3	0.000	0.846	0.846	4N.1
Requisition mains costs - water	£m	3	0.861	0.000	0.861	4N.2
Asset payments costs - water	£m	3	0.000	0.000	0.000	4N.3
Other site-specific activities costs - water	£m	3	0.105	0.053	0.158	4N.4
Total site-specific developer services costs - water	£m	3	0.966	0.899	1.865	4N.5

4O Diversions expenditure - network+

Diversions expenditure for the 12 months ended 31 March 2026 - network+						
Line description	Units	DPs	Capex	Opex	Totex	RAG 4 reference
Water network+						
s185 diversions costs - water	£m	3	0.000	0.006	0.006	4O.1
NRSWA diversions costs - water	£m	3	0.000	0.000	0.000	4O.2
Non-s185 diversions costs - water	£m	3	0.000	0.000	0.000	4O.3
Total diversions costs - water	£m	3	0.000	0.006	0.006	4O.4
Water network+ diversions type						
Raw water distribution and storage - share of diversions	%	2				4O.9
Treated water distribution - share of diversions	%	2			1.00	4O.10

Section 4 – Additional regulatory information – service level Tables 4I to 4AC

4P Infrastructure network reinforcement projects for the 2025-30 period

Infrastructure network reinforcement projects for the 2025-30 period												
Project name (projects over £5m must be reported)	Service (water or wastewater)	Project delivery date	Project id (if available)	Units	DPs	Network reinforcement expenditure					RAG 4 reference	
						2024-25	2025-26	2026-27	2027-28	2028-29		2029-30
Project name 1	Water	dd/mm/yyyy		£m	3							4P.1
Project name 2	Water	dd/mm/yyyy		£m	3							4P.2
Project name 3	Water	dd/mm/yyyy		£m	3							4P.3
Total				£m	3	0.000	0.000	0.000	0.000	0.000	0.000	

Asset type and location of network capacity increases per year												
Units	DPs	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	RAG 4 reference	Asset type and location of network capacity increases per year			
									Text (Asset type/Location)			
												4P.1
												4P.2
												4P.3

No projects above £5 million were delivered in 2025-26 or are forecast to be delivered in 2026-30.

4Q Developer Services – new connections, properties and mains

Developer services – new connections, properties and mains						
Line description	Units	DPs	Water		Total sites	RAG 4 reference
			Sites that require new mains	Sites that do not require new mains		
Connections volumes						
New connections (residential – excluding NAVs)	nr	0	399	399	798	4Q.1
New connections (business – excluding NAVs)	nr	0	3	61	64	4Q.2
Total new connections served by incumbent	nr	0	402	460	862	4Q.3
New connections – SLPs	nr	0	305	0	305	4Q.4
Properties volumes – incumbents						
New properties (residential – excluding NAVs)	nr	0	399	399	798	4Q.5
New properties (business – excluding NAVs)	nr	0	3	61	64	4Q.6
Total new properties served by incumbent	nr	0	402	460	862	4Q.7
New properties – SLP connections	nr	0	305	0	305	4Q.8
Properties volumes – NAVs						
New residential properties served by NAVs	nr	0	921	0	921	4Q.9
New business properties served by NAVs	nr	0	1	0	1	4Q.10
Total new properties served by NAVs	nr	0	922	0	922	4Q.11
Properties volumes – Total						
Total new properties	nr	0	1324	460	1784	4Q.12
New sites						
Number of development sites	nr	0	42	0	42	4Q.13
New water mains – length						
Length of new mains (km) – requisitions	nr	0	2			4Q.14
Length of new mains (km) – SLPs	nr	0	0			4Q.15
Environmental incentives						
New connections claiming Environmental Incentives	nr	0	0		6	4Q.16

This table relates to new connections, properties and new mains in 2025-26.

It allows third parties to understand the impact of both NAVs and self-lay providers in our region. We continue to see high levels of activity from both NAVs and self-lay providers.

This data has been audited by Jacobs.

Section 4 – Additional regulatory information – service level Tables 4I to 4AC

4R Non-financial information - connected properties, customers and population

Non-financial information - connected properties, customers and population														RAG 4 reference			
Line description	Units	DPs	Unmeasured	Measured	Total	Totals		Totals		Totals		Totals					
Customer numbers - average during the year																	
Residential water only customers	000s	3	167.096	135.806	302.902	9.896								4R.1			
Residential wastewater only customers	000s	3	0.000	0.000	0.000	0.000								4R.2			
Residential water and wastewater customers	000s	3	0.000	0.000	0.000	0.000								4R.3			
Total residential customers	000s	3	167.096	135.806	302.902	9.896								4R.4			
Business water only customers	000s	3	1.482	11.763	13.244	2.144								4R.5			
Business wastewater only customers	000s	3	0.000	0.000	0.000	0.000								4R.6			
Business water & wastewater customers	000s	3	0.000	0.000	0.000	0.000								4R.7			
Total business customers	000s	3	1.482	11.763	13.244	2.144								4R.8			
Total customers	000s	3	168.578	147.569	316.146	12.040								4R.9			
Property numbers - average during the year																	
Line description	Units	DPs	Water			Wastewater			Totals		Totals		Totals				
Residential properties billed	000s	3	167.096	135.806	302.902	0.000		0.000		0.000				4R.10			
Residential void properties	000s	3				9.896			0.000						4R.11		
Total connected residential properties	000s	3				312.798			0.000						4R.12		
Business properties billed	000s	3	1.482	11.763	13.244	0.000		0.000		0.000				4R.13			
Business void properties	000s	3				2.144			0.000						4R.14		
Total connected business properties	000s	3				15.388			0.000						4R.15		
Total connected properties	000s	3				328.186			0.000						4R.16		
Property and meter numbers - at end of year (31 March)																	
Line description	Units	DPs	Unmeasured				Water				Measured		Unbilled		Total		
			No meter	Basic meter	AMR meter	AMI meter	Total	No meter	Basic meter	AMR meter	AMI meter	Total	Uneconomic to bill	Other	Total		
Total new residential properties connected in year	000s	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.798	0.798			0.798	4R.17	
Total number of new business properties connections	000s	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.064	0.064			0.064	4R.18	
Residential properties billed at year end	000s	3	155.733	0.000	0.000	0.000	155.733	0.000	130.820	0.000	14.898	145.718			301.451	4R.19	
Residential properties unbilled at year end	000s	3											0.000	0.000	0.000	0.000	4R.20
Residential void properties at year end	000s	3							6.426						6.055	12.481	4R.21
Total connected residential properties at year end	000s	3				162.159									151.773	313.932	4R.22
Business properties billed at year end	000s	3	1.450	0.000	0.000	0.000	1.450	0.000	11.242	0.000	0.437	11.679			13.129	4R.23	
Business properties unbilled at year end	000s	3											0.000	0.000	0.000	0.000	4R.24
Business void properties at year end	000s	3							0.403						1.758	2.161	4R.25
Total connected business properties at year end	000s	3				1.853									13.437	15.290	4R.26
Total connected properties at year end	000s	3				164.012									165.210	329.222	4R.27
Population data																	
Line description	Units	DPs	Water	Wastewater		Totals		Totals		Totals		Totals					
Resident population	000s	3	743.897	0										4R.28			
Non-resident population (wastewater)	000s	3	0										4R.29				
Household population data																	
Household population data	Units	DPs	Water		Totals		Totals		Totals		Totals		Totals				
			Resident population	Non-resident population	Total												
Household population	000s	3	733.905	0.000	733.905									4R.30			
Household measured population (water only)	000s	3	354.812	0.000	354.812									4R.31			
Household unmeasured population (water only)	000s	3	379.093	0.000	379.093									4R.32			

This table shows the number of properties, customers and population for 2025-26.

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 customer data is taken directly from our billing system. Business customer data is derived from that provided by the market operator, 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.

Section 4 – Additional regulatory information – service level Tables 4I to 4AC

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

Mark-to-market of financial derivatives analysed based on payment dates											
Line description	Units	DPs	Derivatives - Analysed by earliest payment date			Derivatives - 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	£m	3	0.305			0.305	0.305			0.305	4V.1
Between one and two years	£m	3	1.052			1.052	1.052			1.052	4V.2
Between two and three years	£m	3	(0.055)			(0.055)	(0.055)			(0.055)	4V.3
Between three and four years	£m	3	0.053			0.053	0.053			0.053	4V.4
Between four and five years	£m	3	0.066			0.066	0.066			0.066	4V.5
After five years	£m	3	(1.258)			(1.258)	(1.258)			(1.258)	4V.6
Total	£m	3	0.163	0.000	0.000	0.163	0.163	0.000	0.000	0.163	4V.7

4W Defined benefit pension scheme – additional Information

Defined Benefit Pension Scheme – additional Information						
Line description	Units	DPs	Defined benefit pension schemes			RAG 4 reference
			Pension scheme 1	Pension scheme 2	Pension scheme 3	
Scheme details						
Scheme name	Text	n/a	Brockhampton Pension Scheme			4W.1
Scheme status	Text	n/a	Closed to Future Accrual (from 1 April 2023)			4W.2
Scheme valuation under IAS/IFRS/FRS						
Scheme assets	£m	3	86.010			4W.3
Scheme liabilities	£m	3	86.010			4W.4
Scheme surplus / (deficit) Total	£m	3	0.000	0.000	0.000	4W.5
Scheme surplus / (deficit) Appointed business	£m	3				4W.6
Pension deficit recovery payments	£m	3				4W.7
Scheme valuation under part 3 of Pensions Act 2004						
Scheme funding valuation date	Date	n/a	31/03/2026			4W.8
Assets	£m	3	86.010			4W.9
Technical Provisions	£m	3	86.010			4W.10
Scheme surplus / (deficit)	£m	3	0.000	0.000	0.000	4W.11
Discount rate assumptions	Text	n/a				4W.12
Recovery plan (where applicable)						
Recovery Plan Structure	Text	n/a				4W.13
Recovery plan end date	Date	n/a				4W.14
Asset Backed Funding (ABF) arrangements	Text	n/a				4W.15

4Z Household bill reduction schemes, debt, Guaranteed Standards Scheme payments and Priority Service Register data

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

4AA Third party services water

Third-party services water expenditure for the 12 months ended 31 March 2026										
Line description	Units	DPs	Water resources	Water network+			Additional water control	Total	RAG 4 reference	
				Raw water distribution and storage	Water treatment	Treated water distribution				
Third-party services - opex (price control)										
Non potable water (which are not bulk supplies) opex	£m	3	0.000	0.000	0.000		0.000	0.000	4AA.1	
Rechargeable opex - Fluoridation	£m	3			0.000		0.000	0.000	4AA.2	
Rechargeable opex - Fire hydrant install & repair	£m	3				0.000	0.000	0.000	4AA.3	
Rechargeable opex - third party damage	£m	3	0.000	0.000		0.000	0.000	0.000	4AA.4	
Rechargeable opex - build over	£m	3	0.000	0.000		0.000	0.000	0.000	4AA.5	
Other rechargeable opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4AA.6	
Total third party opex (price control)	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4AA.7	
Third-party services - capex (price control)										
Non potable water (which are not bulk supplies) capex	£m	3	0.000	0.000	0.000		0.000	0.000	4AA.8	
Rechargeable capex - Fluoridation	£m	3			0.000		0.000	0.000	4AA.9	
Rechargeable capex - Fire hydrant install & repair	£m	3				0.000	0.000	0.000	4AA.10	
Rechargeable capex - third party damage	£m	3	0.000	0.000		0.000	0.000	0.000	4AA.11	
Rechargeable capex - build over	£m	3	0.000	0.000		0.000	0.000	0.000	4AA.12	
Other rechargeable capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4AA.13	
Total third party capex (price control)	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4AA.14	
Third-party services - opex (non-price control)										
Bulk supplies opex	£m	3	0.168	0.000	0.181	0.288	0.000	0.637	4AA.15	
Reservoir operating agreements opex	£m	3	0.000					0.000	4AA.16	
Other excluded charge opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4AA.17	
Total third party costs opex (non-price control)	£m	3	0.168	0.000	0.181	0.288	0.000	0.637	4AA.18	
Third-party services - capex (non-price control)										
Bulk supplies capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4AA.19	
Reservoir operating agreements capex	£m	3						0.000	4AA.20	
Other excluded charge capex	£m	3	0.000		0.000	0.000	0.000	0.000	4AA.21	
Total third party costs capex (non-price control)	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4AA.22	
Third-party services - totex										
Total third party services totex	£m	3	0.168	0.000	0.181	0.288	0.000	0.637	4AA.23	

Section 4 – Additional regulatory information – service level Tables 4I to 4AC

4AC Base expenditure analysis - water asset refurbishment and replacement

Base expenditure analysis for the 12 months ended 31 March 2026 - water asset refurbishment and replacement				
Line description	Units	DPs	Total	RAG 4 reference
Expenditure				
Service reservoir asset renewals				
Asset replacements - expensed	£m	3	0.000	4AC.1
Asset refurbishment - expensed	£m	3	0.000	4AC.2
Asset renewals - expensed	£m	3	0.000	4AC.3
Asset replacements - capitalised	£m	3	0.000	4AC.4
Asset refurbishment - capitalised	£m	3	1.391	4AC.5
Asset renewals - capitalised	£m	3	1.391	4AC.6
Water tower asset renewals				
Asset replacements - expensed	£m	3	0.000	4AC.7
Asset refurbishment - expensed	£m	3	0.000	4AC.8
Asset renewals - expensed	£m	3	0.000	4AC.9
Asset replacements - capitalised	£m	3	0.000	4AC.10
Asset refurbishment - capitalised	£m	3	0.000	4AC.11
Asset renewals - capitalised	£m	3	0.000	4AC.12
Other network storage asset renewals				
Asset replacements - expensed	£m	3	0.000	4AC.13
Asset refurbishment - expensed	£m	3	0.000	4AC.14
Asset renewals - expensed	£m	3	0.000	4AC.15
Asset replacements - capitalised	£m	3	0.000	4AC.16
Asset refurbishment - capitalised	£m	3	0.082	4AC.17
Asset renewals - capitalised	£m	3	0.082	4AC.18
Boreholes asset renewals				
Asset replacements - expensed	£m	3	0.000	4AC.19
Asset refurbishment - expensed	£m	3	0.000	4AC.20
Asset renewals - expensed	£m	3	0.000	4AC.21
Asset replacements - capitalised	£m	3	0.000	4AC.22
Asset refurbishment - capitalised	£m	3	0.252	4AC.23
Asset renewals - capitalised	£m	3	0.252	4AC.24
RGFs asset renewals				
Asset replacements - expensed	£m	3	0.000	4AC.25
Asset refurbishment - expensed	£m	3	0.000	4AC.26
Asset renewals - expensed	£m	3	0.000	4AC.27
Asset replacements - capitalised	£m	3	0.000	4AC.28
Asset refurbishment - capitalised	£m	3	0.012	4AC.29
Asset renewals - capitalised	£m	3	0.012	4AC.30
Water mains asset renewals				
Asset replacements - expensed	£m	3	0.131	4AC.31
Asset refurbishment - expensed	£m	3	0.000	4AC.32
Asset renewals - expensed	£m	3	0.131	4AC.33
Asset replacements - capitalised	£m	3	2.732	4AC.34
Asset refurbishment - capitalised	£m	3	0.000	4AC.35
Asset renewals - capitalised	£m	3	2.732	4AC.36

4AC Base expenditure analysis - water asset refurbishment and replacement (continued)

Base expenditure analysis for the 12 months ended 31 March 2026 - water asset refurbishment and replacement				
Line description	Units	DPs	Total	RAG 4 reference
Workload				
Service reservoir asset renewals				
Asset replacements	nr	1	0	4AC.37
Asset refurbishment	nr	1	6	4AC.38
Water tower asset renewals				
Asset replacements	nr	1	0	4AC.39
Asset refurbishment	nr	1	0	4AC.40
Other network storage asset renewals				
Asset replacements	nr	1	0	4AC.41
Asset refurbishment	nr	1	1	4AC.42
Boreholes asset renewals				
Asset replacements	nr	1	0	4AC.43
Asset refurbishment	nr	1	4	4AC.44
RGFs asset renewals				
Asset replacements	nr	1	0	4AC.45
Asset refurbishment	nr	1	2	4AC.46

Section 5 – Additional regulatory information – water resources

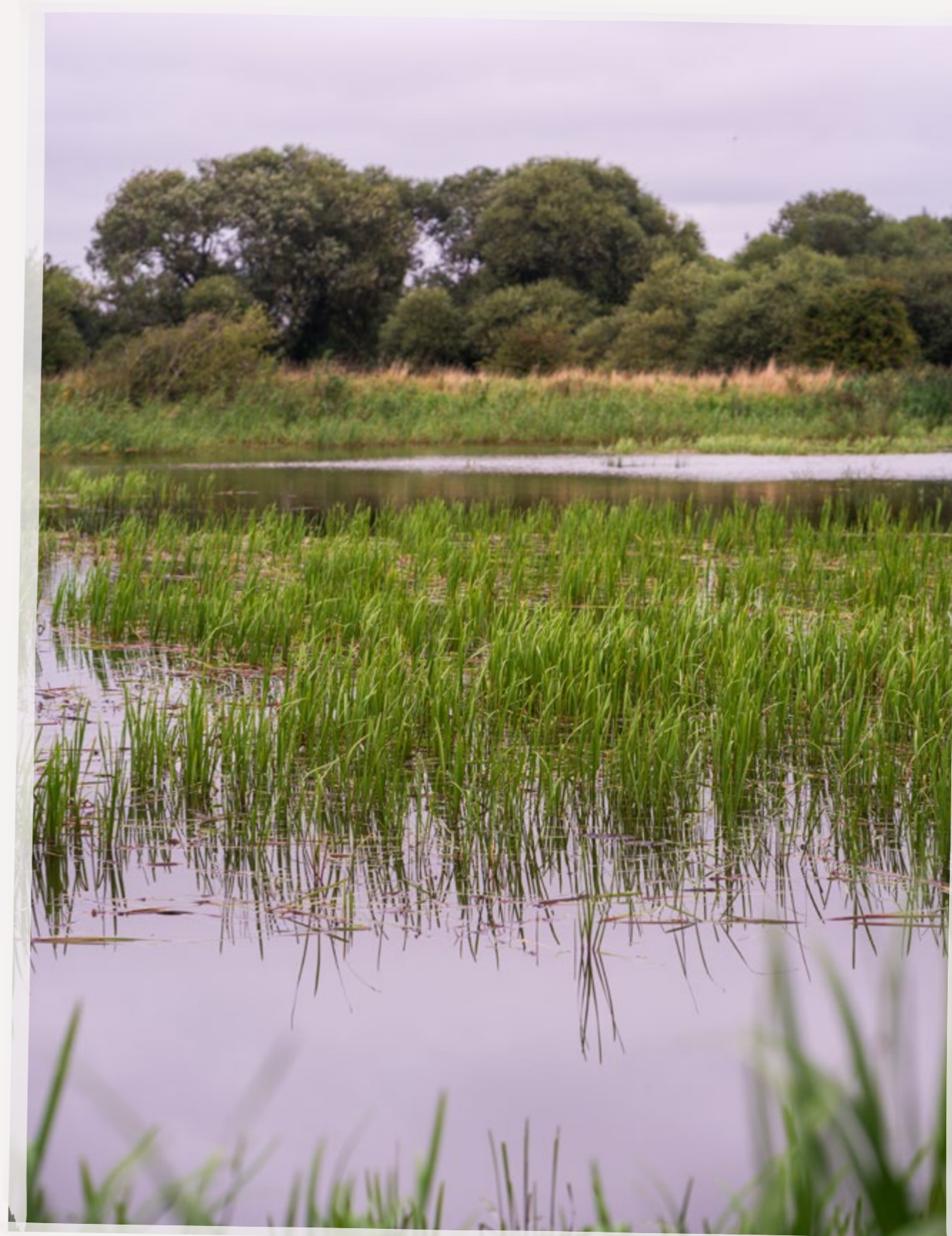
5A Water resources asset and volumes data

Water resources asset and volumes data for the 12 months ended 31 March 2026				
Line description	Units	DPs	Input	RAG 4 reference
Water resources				
Water from impounding reservoirs	MI/d	2	0.00	5A.1
Water from pumped storage reservoirs	MI/d	2	0.00	5A.2
Water from river abstractions	MI/d	2	17.32	5A.3
Water from groundwater works, excluding managed aquifer recharge (MAR) water supply schemes	MI/d	2	175.17	5A.4
Water from artificial recharge (AR) water supply schemes	MI/d	2	0.00	5A.5
Water from aquifer storage and recovery (ASR) water supply schemes	MI/d	2	0.00	5A.6
Water from saline abstractions	MI/d	2	0.00	5A.7
Water from water reuse schemes	MI/d	2	0.00	5A.8
Number of impounding reservoirs	nr	0	0	5A.9
Number of pumped storage reservoirs	nr	0	0	5A.10
Number of river abstractions	nr	0	1	5A.11
Number of groundwater works excluding managed aquifer recharge (MAR) water supply schemes	nr	0	16	5A.12
Number of artificial recharge (AR) water supply schemes	nr	0	0	5A.13
Number of aquifer storage and recovery (ASR) water supply schemes	nr	0	0	5A.14
Number of saline abstraction schemes	nr	0	0	5A.15
Number of reuse schemes	nr	0	0	5A.16
Total number of sources	nr	0	17	5A.17
Total number of water reservoirs	nr	0	1	5A.18
Total volumetric capacity of water reservoirs	MI	0	135	5A.19
Total number of intake and source pumping stations	nr	0	21	5A.20
Total installed power capacity of intake and source pumping stations	kW	0	4979	5A.21
Total length of raw water abstraction mains and other conveyors	km	2	25.62	5A.22
Average pumping head – raw water abstraction	m.hd	2	30.89	5A.23
Energy consumption - water resources (MWh)	MWh	3	10,825.095	5A.24
Total number of raw water abstraction imports	nr	0	0	5A.25
Water imported from 3rd parties to raw water abstraction systems	MI/d	2	0.00	5A.26
Total number of raw water abstraction exports	nr	0	0	5A.27
Water exported to 3rd parties from raw water abstraction systems	MI/d	2	0.00	5A.28
Water resources capacity (measured using water resources yield)	MI/d	2	196.70	5A.29
Total number of completed investigations (WINEP/NEP), cumulative for AMP	nr	0	0	5A.30
Additional average pumping head data - raw water abstraction				
Percentage of APH derived from measured data - raw water abstraction	%	2	100.00	5A.31
Percentage of sites with measured volumes and/or lift - raw water abstraction	%	2	100.00	5A.32

This table provides detail of our Water Resources assets and associated volumes for 2025-26.

There are no significant issues to raise in this commentary.

This data has been audited by Jacobs.



Section 6 – Additional regulatory information – water network plus

6A Raw water transport, raw water storage and water treatment data

Raw water transport, raw water storage and water treatment data for the 12 months ended 31 March 2026					
Line description	Units	DPs	Input	RAG 4 reference	
Raw water transport and storage					
Total number of balancing reservoirs	nr	0	0	6A.1	
Total volumetric capacity of balancing reservoirs	MI	0	0	6A.2	
Total number of raw water transport stations	nr	0	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	2	0.00	6A.5	
Average pumping head ~ raw water transport	m.hd	2	0.00	6A.6	
Energy consumption – raw water transport (MWh)	MWh	3	0.000	6A.7	
Total number of raw water transport imports	nr	0	0	6A.8	
Water imported from 3rd parties to raw water transport systems	MI/d	2	0.00	6A.9	
Total number of raw water transport exports	nr	0	0	6A.10	
Water exported to 3rd parties from raw water transport systems	MI/d	2	0.00	6A.11	
Total length of raw and pre-treated (non-potable) water transport mains for supplying customers	km	2	0.00	6A.12	
Water treatment - treatment type analysis					
	Surface water		Ground water		
	Water treated	Number of works	Water treated	Number of works	
Units	MI/d	nr	MI/d	nr	
DPs	2	0	2	0	
All simple disinfection works	0.00	0	57.26	7	6A.13
W1 works	0.00	0	0.00	0	6A.14
W2 works	0.00	0	8.08	1	6A.15
W3 works	0.00	0	0.00	0	6A.16
W4 works	0.00	0	100.39	8	6A.17
W5 works	15.06	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			
Units	DI	nr			
DPs	1	0			
WTWs in size band 1	3.4	3			6A.20
WTWs in size band 2	1.7	1			6A.21
WTWs in size band 3	17.4	5			6A.22
WTWs in size band 4	36.1	6			6A.23
WTWs in size band 5	12.1	1			6A.24
WTWs in size band 6	29.3	1			6A.25
WTWs in size band 7	0	0			6A.26
WTWs in size band 8	0	0			6A.27

6A Raw water transport, raw water storage and water treatment data (continued)

Raw water transport, raw water storage and water treatment data for the 12 months ended 31 March 2026				
Water treatment - other information	Units	DPs	Input	
Peak week production capacity (PWPC)	MI/d	2	315.32	6A.28
Total peak week production capacity (PWPC) having enhancement expenditure for grey solution improvements to address raw water quality deterioration	MI/d	2	0.00	6A.29
Total peak week production capacity (PWPC) having enhancement expenditure for green solutions improvements to address raw water quality deterioration	MI/d	2	0.00	6A.30
Total water treated at more than one type of works	MI/d	2	0.00	6A.31
Number of treatment works requiring remedial action because of raw water deterioration	nr	0	5	6A.32
Zonal population receiving water treated with orthophosphate	000's	3	658.456	6A.33
Average pumping head – water treatment	m.hd	2	6.34	6A.34
Energy consumption - water treatment (MWh)	MWh	3	1496.361	6A.35
Total number of water treatment imports	nr	0	0	6A.36
Water imported from third parties to water treatment works	MI/d	2	0.00	6A.37
Total number of water treatment exports	nr	0	1	6A.38
Water exported to third parties from water treatment works	MI/d	2	2.76	6A.39
Additional average pumping head data - raw water transport				
	Units	DPs	Input	
Percentage of APH derived from measured data - raw water transport	Percentage	2	0.00	6A.40
Percentage of sites with measured volumes and/or lift - raw water transport	Percentage	2	0.00	6A.41
Additional average pumping head data - raw water treatment				
	Units	DPs	Input	
Percentage of APH derived from measured data - raw water treatment	Percentage	2	0.00	6A.42
Percentage of sites with measured volumes and/or lift - raw water treatment	Percentage	2	100.00	6A.43

This table provides detail of our raw water assets (of which we have none), our water treatment assets and other associated data for 2025-26.

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.

Section 6 – Additional regulatory information – water network plus

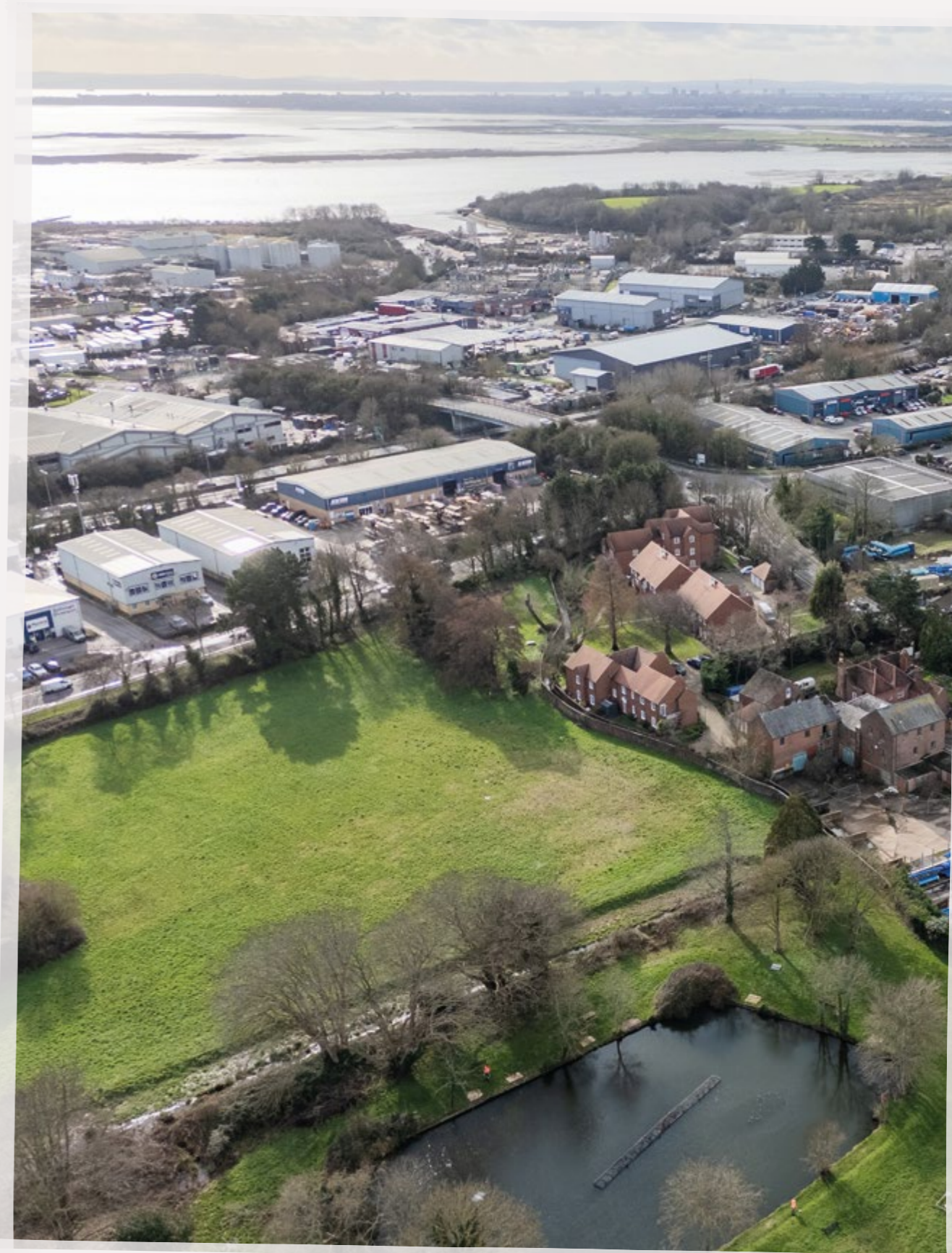
6B Treated water distribution – assets and operations

Treated water distribution – assets and operations for the 12 months ended 31 March 2026				
Line description	Units	DPs	Input	RAG 4 reference
Assets and operations				
Total installed power capacity of potable water pumping stations	kW	0	2297	6B.1
Total volumetric capacity of service reservoirs	MI	1	470.6	6B.2
Total volumetric capacity of water towers	MI	1	0.0	6B.3
Water delivered (non-potable)	MI/d	2	0.00	6B.4
Water delivered (potable)	MI/d	2	159.02	6B.5
Water delivered (billed measured residential properties)	MI/d	2	55.38	6B.6
Water delivered (billed measured businesses)	MI/d	2	31.00	6B.7
Proportion of distribution input derived from impounding reservoirs	Propn 0 to 1	3	0.000	6B.8
Proportion of distribution input derived from pumped storage reservoirs	Propn 0 to 1	3	0.000	6B.9
Proportion of distribution input derived from river abstractions	Propn 0 to 1	3	0.090	6B.10
Proportion of distribution input derived from groundwater works, excluding managed aquifer recharge (MAR) water supply schemes	Propn 0 to 1	3	0.910	6B.11
Proportion of distribution input derived from artificial recharge (AR) water supply schemes	Propn 0 to 1	3	0.000	6B.12
Proportion of distribution input derived from aquifer storage and recovery (ASR) water supply schemes	Propn 0 to 1	3	0.000	6B.13
Proportion of distribution input derived from saline abstractions	Propn 0 to 1	3	0.000	6B.14
Proportion of distribution input derived from water reuse schemes	Propn 0 to 1	3	0.000	6B.15
Total number of potable water pumping stations that pump into and within the treated water distribution system	nr	0	43	6B.16
Number of potable water pumping stations delivering treated groundwater into the treated water distribution system	nr	0	17	6B.17
Number of potable water pumping stations delivering surface water into the treated water distribution system	nr	0	1	6B.18
Number of potable water pumping stations that re-pump water already within the treated water distribution system	nr	0	25	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	0	6B.20
Total number of service reservoirs	nr	0	29	6B.21
Number of water towers	nr	0	0	6B.22
Energy consumption – treated water distribution (MWh)	MWh	3	14306.738	6B.23
Average pumping head – treated water distribution	m.hd	2	29.60	6B.24
Total number of treated water distribution imports	nr	0	0	6B.25
Water imported from third parties to treated water distribution systems	MI/d	2	0.00	6B.26
Total number of treated water distribution exports	nr	0	2	6B.27
Water exported to third parties from treated water distribution systems	MI/d	2	3.79	6B.28
Peak seven day rolling average distribution input	MI/d	2	209.68	6B.29
Peak seven day rolling average distribution input / annual average distribution input	Percentage	2	116.83%	6B.30
Water balance			Company level	
Measured household consumption (excluding supply pipe leakage)	MI/d	2	49.53	6B.31
Unmeasured household consumption (excluding supply pipe leakage)	MI/d	2	63.35	6B.32
Measured non-household consumption (excluding supply pipe leakage)	MI/d	2	30.55	6B.33
Unmeasured non-household consumption (excluding supply pipe leakage)	MI/d	2	0.87	6B.34
Total annual leakage	MI/d	2	33.35	6B.35
Distribution system operational use	MI/d	2	0.06	6B.36
Water taken unbilled	MI/d	2	2.57	6B.37
Distribution input	MI/d	2	180.29	6B.38
Distribution input (pre-MLE)	MI/d	2	179.47	6B.39
Additional average pumping head data			Treated water distribution	
Percentage of APH derived from measured data	Percentage	2	87.18	6B.40
Percentage of sites with measured volumes and/or lift	Percentage	2	100.00	6B.41

This table provides detail of our water distribution assets and other associated data for 2025-26.

There are no significant issues to raise in this commentary.

This data has been audited by Jacobs.



Section 6 – Additional regulatory information – water network plus

6C Water network+ – mains, communication pipes and other data

Water network+ – mains, communication pipes and other data for the 12 months ended 31 March 2026									
Line description	Units	DPs	Input	Condition grade 1	Condition grade 2	Condition grade 3	Condition grade 4	Condition grade 5	RAG 4 reference
Treated water distribution – mains analysis									
Length of potable mains relined (excludes structural relining)	km	1	0.0	0.0	0.0	0.0	0.0	0.0	6C.1
Length of potable mains structurally relined	km	1	0.0	0.0	0.0	0.0	0.0	0.0	6C.2
Length of potable mains renewed (excludes relining)	km	1	10.4	6.5	4.0	0.0	0.0	0.0	6C.3
Length of new potable mains	km	1	3.4						6C.4
Treated water distribution – mains analysis by diameter									
Total length of potable water mains (<=320mm)	km	1	3058.1						6C.5
Total length of potable water mains (>320mm and <= 450mm)	km	1	150.3						6C.6
Total length of potable water mains (>450mm and <=610mm)	km	1	148.6						6C.7
Total length of potable water mains (> 610mm)	km	1	58.4						6C.8
Total length of potable mains as at 31 March	km	1	3415.3						6C.9
Treated water distribution – mains age profile									
Total length of potable mains laid or structurally refurbished pre-1880	km	1	50.7						6C.10
Total length of potable mains laid or structurally refurbished between 1881 and 1900	km	1	79.2						6C.11
Total length of potable mains laid or structurally refurbished between 1901 and 1920	km	1	115.2						6C.12
Total length of potable mains laid or structurally refurbished between 1921 and 1940	km	1	531.5						6C.13
Total length of potable mains laid or structurally refurbished between 1941 and 1960	km	1	430.8						6C.14
Total length of potable mains laid or structurally refurbished between 1961 and 1980	km	1	627.3						6C.15
Total length of potable mains laid or structurally refurbished between 1981 and 2000	km	1	795.7						6C.16
Total length of potable mains laid or structurally refurbished between 2001 and 2020	km	1	652.1						6C.17
Total length of potable mains laid or structurally refurbished during and after 2021	km	1	132.8						6C.18
Length of potable mains – all ages	km	1	3415.3						6C.19

6C Water network+ – mains, communication pipes and other data (continued)

Water network+ – mains, communication pipes and other data for the 12 months ended 31 March 2026									
Line description	Units	DPs	Input	Condition grade 1	Condition grade 2	Condition grade 3	Condition grade 4	Condition grade 5	RAG 4 reference
Communication pipes									
Number of lead communication pipes	nr	0	79,924						6C.20
Number of galvanised iron communication pipes	nr	0	17,827						6C.21
Number of other communication pipes	nr	0	223,373						6C.22
Number of lead communication pipes replaced or relined for water quality	nr	0	148						6C.23
Other									
Company area	km2	0	864						6C.24
Properties below reference level at end of year	nr	0	29,329						6C.25
Traffic Management Act									
	Units	DPs	Treated water distribution	Additional water control	Total				
Projects incurring costs associated with Traffic Management Act	nr	0	12773	0	12773				
					6C.26				

This table provides detail of our water distribution assets and other associated data for 2025-26.

There are no significant issues to raise in this commentary.

This data has been audited by Jacobs.

Section 6 – Additional regulatory information – water network plus

6D Demand management – metering and leakage activities

Demand management - metering and leakage activities for the 12 months ended 31 March 2026							
Line description	Units	DPs	Basic meter	AMR meter	AMI meter	Total	RAG 4 reference
Metering activities - Totex expenditure							
New optant meter installation for existing customers	£m	3	0.000	0.000	2.588	2.588	6D.1
New selective meter installation for existing customers	£m	3	0.000	0.000	3.605	3.605	6D.2
New business meter installation for existing customers	£m	3	0.000	0.000	0.000	0.000	6D.3
Residential meters renewed	£m	3	0.000	0.000	0.000	0.000	6D.4
Business meters renewed	£m	3	0.000	0.000	0.018	0.018	6D.5
Total cost of replacement of basic meters with AMR or AMI meters for residential customers	£m	3		0.000	3.591	3.591	6D.6
Total cost of replacement of AMR meter with AMI meters for residential customers	£m	3			0.000	0.000	6D.7
Total cost of replacement of basic meters with AMR or AMI meters for business customers	£m	3		0.000	0.271	0.271	6D.8
Total cost of replacement of AMR meter with AMI meters for business customers	£m	3			0.000	0.000	6D.9
Metering activities - Explanatory variables							
New optant meters installed for existing customers	000s	3	0.000	0.000	3.740	3.740	6D.10
New selective meters installed for existing customers	000s	3	0.000	0.000	5.210	5.210	6D.11
New business meters installed for existing customers	000s	3	0.000	0.000	0.000	0.000	6D.12
Residential meters renewed	000s	3	0.000	0.000	0.000	0.000	6D.13
Business meters renewed	000s	3	0.000	0.000	0.027	0.027	6D.14
Replacement of basic meters with AMR or AMI meters for residential customers	000s	3		0.000	5.436	5.436	6D.15
Replacement of AMR meter with AMI meters for residential customers	000s	3			0.000	0.000	6D.16
Replacement of basic meters with AMR or AMI meters for business customers	000s	3		0.000	0.410	0.410	6D.17
Replacement of AMR meter with AMI meters for business customers	000s	3			0.000	0.000	6D.18
Metering activities - benefits delivered							
New residential meters installed for existing customers – supply-demand balance benefit	MI/d	2	0.00	0.00	0.54	0.54	6D.19
New business meters installed for existing customers – supply-demand balance benefit	MI/d	2	0.00	0.00	0.00	0.00	6D.20
Replacement of basic meter with AMR or AMI meters for residential customers – supply-demand balance benefit	MI/d	2		0.00	0.14	0.14	6D.21
Replacement of AMR meter with AMI meter for residential customers – supply-demand balance benefit	MI/d	2			0.00	0.00	6D.22
Replacement of basic meter with AMR/AMI meters for business customers – supply-demand balance benefit	MI/d	2		0.00	0.01	0.01	6D.23
Replacement of AMR meter with AMI meter for business customers – supply-demand balance benefit	MI/d	2			0.00	0.00	6D.24
Metering - penetration and connectivity							
Residential properties - meter penetration	%	1	43.4%	0.0%	4.9%	48.3%	6D.25
Business properties - meter penetration	%	1	85.6%	0.0%	3.3%	89.0%	6D.26
Residential properties - connected AMI meters at year end	%	1			0.0	3.7%	6D.27
Business properties - connected AMI meters at year end	%	1			0.0	0.0%	6D.28
Per capita consumption (excluding supply pipe leakage)							
Per capita consumption (measured)	l/h/d	1	340				6D.29
Per capita consumption (unmeasured)	l/h/d	1	407				6D.30

6D Demand management – metering and leakage activities (continued)

Demand management - metering and leakage activities for the 12 months ended 31 March 2026						
Meter installation types			Internal	External requiring dig	External no dig	
New meters installed for existing customers - basic	000s	3	0.000	0.000	0.000	6D.31
New meters installed for existing customers - AMR	000s	3	0.000	0.000	0.000	6D.32
New meters installed for existing customers - AMI	000s	3	0.000	1.011	7.939	6D.33
New Basic installations - business	000s	3	0.000	0.000	0.000	6D.34
New AMR installations - business	000s	3	0.000	0.000	0.000	6D.35
New AMI installations - business	000s	3	0.000	0.000	0.000	6D.36
Upgrades - Basic to AMR - residential	000s	3	0.000	0.000	0.000	6D.37
Upgrades - Basic to AMI - residential	000s	3	0.000	0.063	5.373	6D.38
Upgrades - AMR to AMI - residential	000s	3	0.000	0.000	0.000	6D.39
Upgrades - Basic to AMR - business	000s	3	0.000	0.000	0.000	6D.40
Upgrades - Basic to AMI - business	000s	3	0.000	0.000	0.437	6D.41
Upgrades - AMR to AMI - business	000s	3	0.000	0.000	0.000	6D.42
Boundary boxes			Total			
Number of new boundary box installations	000s	3	1.011			6D.43
Number of boundary box replacements	000s	3	0.063			6D.44

This table provides detail of our demand management and metering data for 2025-26.

This data has been audited by Jacobs.

6E Leakage activity detailed analysis

Leakage activity				
Line description	Units	DPs	Total	RAG 4 reference
Leakage expenditure				
Maintaining leakage activity - totex	£m	3	6.041	6E.1
Reducing leakage activity - totex	£m	3	1.627	6E.2
Total leakage activity - totex	£m	3	7.668	6E.3
Leakage improvements delivering benefits in current price review period	MI/d	1	(1.1)	6E.4

This table provides detail on the expenditure and benefits of supply and demand-side improvements outlined in our WRMP24 excluding metering and leakage management for 2025-26.

Section 6 – Additional regulatory information – water network plus

6F WRMP annual reporting on delivery - excluding leakage and metering activities

WRMP annual reporting on delivery - excluding leakage and metering activities				Capital expenditure							Opex costs							Benefits							RAG 4 reference	
Line Description	WRMP ID	Classification	Delivery year (in use)	Pre 2025-26	2025-26	2026-27	2027-28	2028-29	2029-30	After 2029-30	Pre 2025-26	2025-26	2026-27	2027-28	2028-29	2029-30	After 2029-30	Pre 2025-26	2025-26	2026-27	2027-28	2028-29	2029-30	After 2029-30		
Units	Text	Text	Year	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	MI/d	MI/d	MI/d	MI/d	MI/d	MI/d	MI/d		
DPs	0	0	0	2	3	3	3	3	3	3	2	3	3	3	3	3	3	2	2	2	2	2	2	2		
Activity																										
Pressure control device - Company - High+	PRT_PRT_EF-CRE_ALL_ALL_hh_pressure high+		25/26	0.00	0.041	0.041	0.041	0.041	0.041	0.000	0.00	0.008	0.000	0.000	0.000	0.000	0.000	0.00	0.08	0.15	0.18	0.21	0.22	0.00	6F.1	
Household audit - Company - High+	PRT_PRT_EF-WEF_ALL_ALL_audit_hh high+		25/26	0.00	0.039	0.126	0.126	0.126	0.126	0.000	0.00	0.064	0.064	0.064	0.064	0.064	0.000	0.00	0.28	0.55	0.68	0.78	0.84	0.00	6F.2	
Non-household audit - Company - High+	PRT_PRT_EF-WEF_ALL_ALL_audit_nhh high+		25/26	0.00	0.168	0.062	0.062	0.062	0.062	0.000	0.00	0.008	0.008	0.008	0.008	0.008	0.000	0.00	0.02	0.04	0.05	0.05	0.06	0.00	6F.3	
Awareness campaign: community - Company - High+	PRT_PRT_EF-WEF_ALL_ALL_awareness high+		25/26	0.00	0.039	0.029	0.029	0.029	0.029	0.000	0.00	0.059	0.059	0.059	0.059	0.059	0.000	0.00	1.94	3.75	4.65	5.30	5.71	0.00	6F.4	
Multi- channel proactive coms - Company - High+	PRT_PRT_EF-WEF_ALL_ALL_comms high+		25/26	0.00	0.039	0.030	0.030	0.030	0.030	0.000	0.00	0.008	0.008	0.008	0.008	0.008	0.000	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6F.5
Education programme - Company - High+	PRT_PRT_EF-WEF_ALL_ALL_education high+		25/26	0.00	0.039	0.019	0.019	0.019	0.019	0.000	0.00	0.008	0.008	0.008	0.008	0.008	0.000	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6F.6
Retrofit Gadgets - Company - High+	PRT_PRT_EF-WEF_ALL_ALL_gadgets high+		25/26	0.00	0.039	0.069	0.069	0.069	0.069	0.000	0.00	0.109	0.000	0.000	0.000	0.000	0.000	0.00	0.06	0.11	0.14	0.16	0.17	0.00	6F.7	
Introduce innovative tariffs - Company - High+	PRT_PRT_EF-WEF_ALL_ALL_innovative tariffs high+		35/36	0.00	0.000	0.000	0.000	0.000	0.000	0.231	0.00	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.00	0.00	0.00	0.00	0.00	2.39	6F.8	
Community Reward (Waterfit platform) - Company - High+	PRT_PRT_EF-WEF_ALL_ALL_reduce_consump high+		25/26	0.00	0.039	0.071	0.071	0.071	0.071	0.000	0.00	0.000	0.109	0.109	0.109	0.109	0.000	0.00	0.00	0.05	0.10	0.12	0.15	0.00	6F.11	
Vulnerability - Company - High+	PRT_PRT_EF-WEF_ALL_ALL_vulnerability high+		35/36	0.00	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6F.12
Bulk import (HSE): PWC Source A to Eastleigh WSR Extension (30MI/d)	SWS_pw2moor_extension		25/26	0.00	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6F.13
Bulk import (SNZ): PWC to Pulborough (15MI/d)	SWS_pw2pul		25/26	0.00	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6F.15
Bulk import (SNZ): PWC to Pulborough extension (15MI/d)	SWS_pw2pul_extension		25/26	0.00	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.000	0.000	0.000	0.000	0.000	0.000	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6F.17
Total				0.00	0.442	0.447	0.447	0.447	0.447	0.231	0.00	0.264	0.256	0.256	0.256	0.256	0.000	0.00	2.37	4.65	5.80	6.62	7.15	2.39	6F.51	

This table provides detail on the expenditure and benefits of supply and demand-side improvements outlined in our WRMP24 excluding metering and leakage management for 2025-26.

Section 9 – Additional regulatory information – innovation competition

9A Innovation competition

Innovation competition				RAG 4 reference													
Line description	Units	DPs	Current year														
Allowed																	
Allocated innovation revenue collection by PR24	£m	3	0.271	9A.1													
Revenue collected for the purposes of the innovation competition																	
Actual Innovation Fund income drawn down from customers	£m	3	0.271	9A.2													
Total amount awarded to fund innovation projects the company is leading on	£m	3	0.000	9A.3													
Funding allocated for the current year as part of the Inflation Top-up Mechanism	£m	3	0.000	9A.4													
Total amount transferred to MOSL as part of the Innovation Fund	£m	3	0.141	9A.5													
Non-price control revenue (e.g. royalties, assets sold that were purchased using innovation funding)	£m	3	0.000	9A.6													
Administration																	
Administration charge for Innovation Fund delivery partner(s)	£m	3	0.015	9A.7													
Line description	Units	DPs	Total amount of funding awarded to the lead company through the innovation fund	Total amount of inflation top-up funding received	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 (excl 10% partnership contribution)	In year expenditure on innovation projects funded by shareholders of the lead water company	In year expenditure on innovation projects funded by project partner contributions	Cumulative expenditure on innovation projects funded by shareholders of the lead water company	Cumulative expenditure on innovation projects funded by project partner contributions	Total remaining funds (unspent) for completed projects	
Innovation project 1 Defusing the nitrate timebomb	£m	3	0.173	0.000	0.018	0.018	0.000	0.166	0.166	0.000	0.000	0.000	0.000	0.009	0.009	0.000	9A.8
Total	£m	3	0.173	0.000	0.018	0.018	0.000	0.166	0.166	0.000	0.000	0.000	0.000	0.009	0.009	0.000	9A.23

This table provides detail of the outcome of the innovation competition for 2025-26.

Section 11 – Additional regulatory information – operational greenhouse gas emissions and net zero reporting

11A Greenhouse gas emissions reporting

Greenhouse gas emissions reporting for the 12 months ended 31 March 2026					
Line description	Unit	DPs	Operational Emissions		RAG 4 reference
			Water	Total	
Scope one emissions					
Burning of fossil fuels (location-based)	tCO2e	3	87,182	87,182	11A.1
Process and fugitive emissions	tCO2e	3	11,423	11,423	11A.2
Vehicle transport	tCO2e	3	335,276	335,276	11A.3
Emissions from land	tCO2e	3	0	0.000	11A.4
Total scope one emissions (location-based)	tCO2e	3	433,881	433,881	11A.5
Scope one emissions; GHG type CO2	tCO2e	3	417,788	417,788	11A.6
Scope one emissions; GHG type CH4	tCO2e	3	0.152	0.152	11A.7
Scope one emissions; GHG type N2O	tCO2e	3	4,502	4,502	11A.8
Scope one emissions; GHG other types	tCO2e	3	11,423	11,423	11A.9
Scope two emissions					
Purchased electricity (location-based)	tCO2e	3	4081,368	4081,368	11A.10
Purchased electricity (market-based)	tCO2e	3	789,348	789,348	11A.11
Purchased heat	tCO2e	3	0	0.000	11A.12
Electric vehicles	tCO2e	3	0	0.000	11A.13
Removal of electricity to charge electric vehicles at site	tCO2e	3	0	0.000	11A.14
Total scope two emissions (location-based)	tCO2e	3	4081,368	4081,368	11A.15
Total scope two emissions (market-based)	tCO2e	3	789,348	789,348	11A.16
Scope two emissions; GHG type CO2	tCO2e	3	4032,714	4032,714	11A.17
Scope two emissions; GHG type CH4	tCO2e	3	20,753	20,753	11A.18
Scope two emissions; GHG type N2O	tCO2e	3	28,131	28,131	11A.19
Scope two emissions; GHG other types	tCO2e	3	0	0.000	11A.20
Scope three emissions					
Business travel	tCO2e	3	11,297	11,297	11A.21
Outsourced activities	tCO2e	3	242,258	242,258	11A.22
Purchased electricity; extraction, production, transmission and distribution (location-based)	tCO2e	3	1577,206	1577,206	11A.23
Purchased heat; extraction, production, transmission and distribution	tCO2e	3	0	0.000	11A.24
Purchased fuels; extraction, production, transmission and distribution	tCO2e	3	95,201	95,201	11A.25
Chemicals	tCO2e	3	179,652	179,652	11A.26
Disposal of waste	tCO2e	3	131,566	131,566	11A.27
Total scope three emissions (location-based)	tCO2e	3	2237,180	2237,180	11A.28
Scope three emissions; GHG type CO2	tCO2e	3	651,288	651,288	11A.29
Scope three emissions; GHG type CH4	tCO2e	3	157,083	157,083	11A.30
Scope three emissions; GHG type N2O	tCO2e	3	4,018	4,018	11A.31
Scope three emissions; GHG other types	tCO2e	3	0	0.000	11A.32
Gross operational emissions (Scopes 1, 2 and 3)					
Gross operational emissions (location-based)	tCO2e	3	6752,429	6752,429	11A.33
Gross operational emissions (market-based)	tCO2e	3	3460,409	3460,409	11A.34
Emissions reductions					
Exported renewables	tCO2e	3	29,736	29,736	11A.35
Exported biomethane	tCO2e	3	0	0.000	11A.36
Insets	tCO2e	3	0	0.000	11A.37
Other emissions reductions	tCO2e	3	0	0.000	11A.38
Total emissions reductions	tCO2e	3	29,736	29,736	11A.39
Emissions reductions					
Green tariff electricity	tCO2e	3	0,000	0.000	11A.40
Net annual emissions					
Net annual emissions (location-based)	tCO2e	3	6722,693	6722,693	11A.41
GHG intensity ratios					
Emissions per Ml of treated water	kgCO2e/Ml	3	102,626		11A.42
Emissions per Ml of sewage treated	kgCO2e/Ml	3			11A.43
Embedded emissions					
Line description	Unit	DPs	Water	Total	
Capital projects					
Capital projects (cradle-to-gate)	tCO2e	3	4151,670	4151,670	11A.44
Capital projects (cradle-to-build)	tCO2e	3	5747,000	5747,000	11A.45
Purchased goods and services					
Purchased goods and services	tCO2e	3	7115,910	7115,910	11A.46



08

Assurance documents



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 has an inter-group loan agreement with Portsmouth Water Holdings Limited, its immediate parent company, which was taken out in August 2024 and is repayable on demand. Interest payable on the loan for the year was £1.5 million, of which £1.122 million was paid. 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

The Company's dividend policy for 2025-30 is calculated from a base 2% return on the Company's average Regulated Capital Value (RCV). This is lower than the industry guidance provided by Ofwat (normally a 4% return on RCV), recognising the additional equity requirements applicable during the construction of Havant Thicket Reservoir. Further details of our dividend policy are set out on pages 88 to 97.

Proposed dividend for the financial year

The Directors propose a dividend of £3.045 million based on the 2% of regulated equity (proposed dividend 2025 - £2.9 million). The proposed dividend is anticipated to be paid in July 2026 (the proposed 2025 dividend was paid in July 2025).

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 the services supplied to the appointee by associates during the year are disclosed below.

Service	Associate company	Turnover of associate (£000s)	Terms of supply	Value (£000s)
Rent	Brockhampton Holdings Limited	7*	market tested	7
Solar power income	Brockhampton Solutions Limited	373**	market tested	373

*Brockhampton Holdings Limited accounts do not include any amounts classified as turnover. Amounts relating to rent are included within other operating income which totals £7k (2025: £183k), of which nil (2025: £179k) relates to total income from solar power as all solar assets were transferred to Brockhampton Solutions Limited at the beginning of the financial year.

**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 £373k, of which £373k relates to total income from solar power.

Directors' remuneration and other services provided

There was a recharge of Directors' salaries amounting to £107,433 (2025: £36,910) 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 2026	31 March 2025
Brockhampton Pension Scheme	£0	£0
Brockhampton Holdings Limited	£315,624	£17,919
Brockhampton Property Investments Limited	£0	£26,005
Brockhampton Solutions Limited	£124,240	£176,582
South Downs Limited (charged into Brockhampton Property Investments Limited)	£0	£12,189
South Downs Capital Limited (charged into Brockhampton Property Investments Limited)	£0	£0
Ancala Fornia Limited	£0	£12,189
Ancala Fornia Midco Limited	£0	£12,189
Ancala Fornia Holdco Limited	£0	£121,806

We performed a review of the group recharges in 2025-26 and as a result have increased the level of recharges to better reflect the time spent by Finance on the group companies. This includes an 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 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 (2025: £332k) and this has been allocated to the Retail and Water Resources business units on the basis of actual floor space.

Independent auditor’s report to the Water Services Regulation Authority (“the WSRA”) and the Portsmouth Wated Limited (“the Company”)

Opinion

We have audited the sections of/tables within Portsmouth Wated Limited (“the Company”) Annual Performance Report for the year ended 31 March 2026 (“the Regulatory Accounting Statements”) which comprise:

- The regulatory financial reporting tables comprising the income statement (Table 1A), the statement of comprehensive income (Table 1B), the statement of financial position (Table 1C), the statement of cash flows (Table 1D), the net debt analysis (Table 1E), the financial flows (Table 1F) and the related notes
- The regulatory price review and other segmental reporting tables comprising the segmental income statement (Table 2A), the totex analysis for wholesale water and wastewater (Table 2B), the cost analysis for retail (Table 2C), the historical cost analysis of fixed assets (Table 2D), the analysis of developer services income (Table 2E), the household water revenues by customer type (Table 2F), the cash collection performance rates (Table 2H), the revenue analysis (Table 2I), the infrastructure charges reconciliation (Table 2K), the analysis of land sales (Table 2L), the revenue reconciliation for wholesale (Table 2M), historical cost analysis of intangible assets (Table 2O), third-party services revenue (Table 2P) and analysis of diversions income (Table 2R) and the related notes.

We have not audited the Outcome performance tables (3A to 3G) and the additional regulatory information in tables (2N, 4A to 4AC, 5A, 6A to 6F, 9A and 11A).

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 1.10, [RAG 2.10] RAG 3.16, RAG 4.14 and RAG 5.07) (“the Regulatory Accounting Guidelines”) and the accounting policies set out on pages 206 to 211.

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 and 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 public interest entities 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 3.16, 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”) / United Kingdom

adopted international accounting standards (“UK IASs”). Financial information other than that prepared on the basis of (UK GAAP/UK IASs) 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 184 to 193 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from (UK GAAP/UK IASs). 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

In auditing the Regulatory Accounting Statements, we have concluded that the Directors’ use of the going concern basis of accounting in the preparation of the Regulatory Accounting Statements is appropriate.

Our evaluation of the Directors’ assessment of the Company’s ability to continue to adopt the going concern basis of accounting included:

We used our knowledge of the Company, its industry and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company’s financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company’s available financial resources.

We considered whether these risks could plausibly affect the liquidity in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Company’s current and projected cash and facilities (a reverse stress test). We assessed the completeness of the going concern disclosure.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company’s ability to continue as a going concern for a period of at least 12 months

from when the financial statements are authorised for issue.

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. Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Fraud and breaches of laws and regulations – ability to detect

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, internal audit and inspection of policy documentation of the Company, as to the Company’s high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company’s channel for “whistleblowing”, as well as 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 of the Company’s
- Considering remuneration incentive schemes and performance targets for Directors including Long-Term Plan awards.

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 Company 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.

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 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 any form of audit opinion or any 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.

Independent auditor's report to the Water Services Regulation Authority ("the WSRA") and the Portsmouth Water Limited ("the Company")

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 page 98) 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 3.16, 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 the accounting policy notes section 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 2026 on which we reported on 29 June 2026, 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

29 June 2026



09

Monitoring our Long-Term Delivery Strategy



Monitoring our Long-Term Delivery Strategy

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

We developed the LTDS alongside our customers, communities and regional partners, to deliver best value for the South East, protect our precious resources and prepare for the challenges we face.

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

Our LTDS brings together insight and our wider strategic plans. It combines our Water Resources Management Plan (WRMP) and Water Industry National Environment Programme (WINEP) with our resilience and raw water deterioration and lead strategies into a single, holistic, adaptive plan for 2025-50.

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

The plan demonstrates our commitment to deliver on our purpose – Excellence in Water. Always – building on our four priorities:

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

In the LTDS we set out a core pathway of activities (Figure 1), which we must follow to provide a platform of no and low-regret investment options to ensure we can meet the requirements of all the futures scenarios we considered.

We set out the points in time when we must decide whether our current investment decisions would allow us to deliver against the emerging challenges of the future, or whether we would need to do things differently.

If we believed we would require further investment, we would then trigger an alternative pathway; a plan of additional investment options to ensure we could continue to meet our operational requirements and deliver our long-term vision.

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.

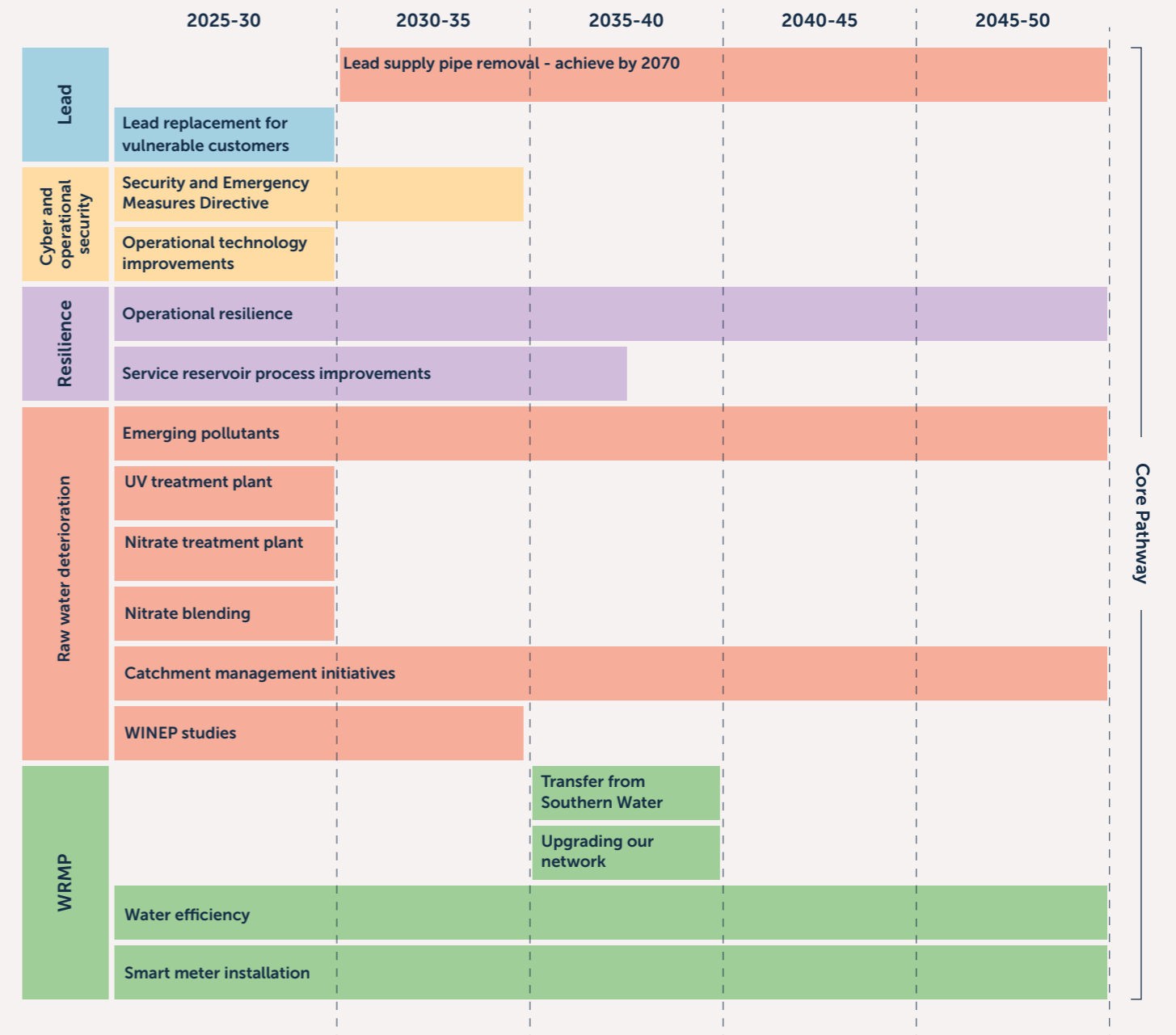


Figure 1: The Long-Term Delivery Strategy core pathway

Monitoring our Long-Term Delivery Strategy

We are committed to ensuring 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 which will help us decide whether we need to move to an adaptive pathway. Last year we introduced a robust review process (Figure 2) to guide the monitoring and review of our plans, which is set out below.

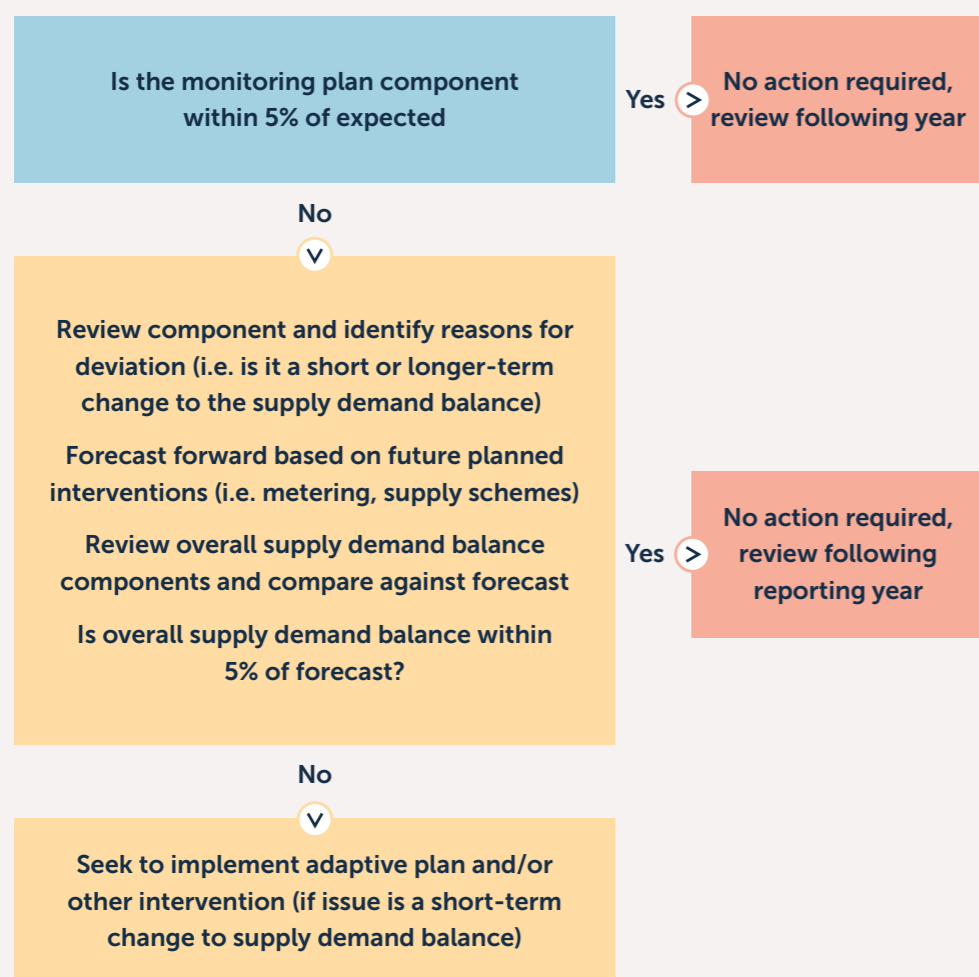


Figure 2: LTDS monitoring process

We identified several metrics which we deem essential to making sure we can remain informed and identify the points at which we may need to adapt our programme. Our latest performance against these metrics is set out in our monitoring plan (Table 1).

The most significant challenge we face is ensuring we can maintain our supply demand balance. We continue to be greater than 5% from our expected position and have subsequently continued to review 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 recognise further work is required to return individual elements of our water balance to our forecast position over the remainder of the 2025-30 period. To that end, we are following detailed action plans for each key component of the supply demand balance.

A major part of our strategy is the rollout of smart water meters, which commenced in April 2025. We have made substantial progress by installing 15,095 smart meters in 2025-26, against a forecast of 3,200.

Our smart water metering journey is expected to significantly reduce household and non-household consumption and tackle customer-side leakage – a relatively untouched area which may represent a significant share of our total leakage.

The outlook for 2026-27 includes further positive developments. We expect to continue delivering smart water meter installs at a rate in excess of those planned. The completion of peak deployable output and return to service schemes will also provide benefit to the supply demand balance in the next annual review. Progress also continues at pace on Havant Thicket Reservoir.

We expect the components which are not aligned with our forecasts to be broadly on track by the end of October 2027. However, we do not operate in a static world. We will continue to refine our plans using the latest data and experiences and we are committed to delivering our action plans without complacency. During 2026-27 there will be a key focus on leakage reduction opportunities associated with pressure optimisation, district meter area segregation and trials of new, innovative technology.

Component	Metric	2024-25	Expected 2025-26	Outturn 2025-26	Within 5% of expected	Intervention required
Population growth	Change in distribution input (MI/d)	179.4	171.8	180.3	Yes	No
	Property count (no.)	326,724	334,390	328,186	Yes	No
	Population (no.)	742,801	759,426	743,897	Yes	No
Climate change	Impact on deployable output (MI/d)	To be reviewed as part of development of the next WRMP (WRMP29).				
Environmental policy	Change in deployable output (MI/d)	To be reviewed after completion of the 2025-30 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
Licence variation	Change in deployable output (MI/d)	221.7	221.6	221.5	Yes	No
Progress of demand side options	Reduction in distribution input (MI/d)	16.5	0.8	2.4	No	No -improvement compared to 25-26 expected position
Outage	Change in outage (MI/d)	4.5	6.6	6.6	Yes	No
Supply demand balance	Change in supply demand balance (MI/d)	-12.2	15.0	3.3	No	Yes - in progress
	Headroom (MI/d)	5.0	4.2	4.2	Yes	No

Table 1: LTDS monitoring plan



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