Portsmouth Water

PORTSMOUTH WATER LIMITED

Half-Year Report 2023

Unaudited interim results for the six month period ended 30 September 2023

portsmouthwater.co.uk

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CHAIR'S COMMENTS

As we mark the mid-point of the fourth year of our five year business plan, I am pleased to present the operating and financial update for the first six months of the year.

We strive to meet our regulatory and financial targets on our day-to-day business whilst recognising the impact of the current cost of living challenges facing all our customers. The economic environment has presented challenges to the Company with higher energy and commodity prices. The impact on our customers is reflected by an increase to our provisions for bad debt. We are monitoring the outlook for the full year, but expect to deliever a robust set of financial results and have a resilient capital structure already in place.

It has been an extremely busy period for the Portsmouth team. We have submitted our PR24 business plan which will shape our business investment needs for the next price review starting in 2025. This is our most ambitious plan yet and we believe it reflects the right balance between affordability and investment. At the centre of our plan is ensuring we have sustainable water resources to meet future needs. To help achieve this we plan by 2030 to reduce leakage by 16% and support customers to use 10% less water. We will do this by providing customers with a smart meter, with the aim to have them in every home by 2035.

At half year we are leading the industry on customer experience and are ranked #1 in Ofwat's customer experience measure. To maintain our industry leading performance, we are the first water company to partner with Octopus Energy group to implement their award winning Kraken system. The new system will mean we can continue to fully support our customers when we roll out smart meters. We already have over 40,000 customers migrated to the new system and we are on track to move all our customers by the end of the financial year.

Christopher Deacon
Independent Chair

19 December 2023

Good progress continues on the Havant Thicket reservoir project. All financing is now in place to deliver the project. Our shareholders provided a further £120m of equity in July 2023 with a further £30m committed. We continue to support Southern Water with the development of their planned water recycling and transfer scheme. This could provide a second source of water to reduce abstraction and protect Hampshire's gold medal chalk streams, the Rivers Itchen and Test.

We are in discussions about a change in scope to our reservoir project to increase the size of our pipeline from our Bedhampton site to the new reservoir. This will future proof the scheme to be able to accommodate the additional source of water, and deliver significant savings for Southern Water's customers while reducing disruption to our local residents. The change is likely to delay the delivery of the scheme by up to 2 years, increasing the overall project costs that are ultimately passed on to Southern Water and its customers. We are in discussions with Ofwat and plan to agree the changes through a cost adjustment mechanism which should align with the next regulatory business plan determination in December 2024.

Operationally we remain focused on delivering reliable service to our customers. We continue to deliver industry leading performance on supply interruptions and customers enjoyed reliable supplies through the summer hot weather and recent storms. The record dry weather and harsh winter last year resulted in a deterioration of our leakage performance. We recognise how important reducing leakage is to our customers so we have increased expenditure to recover performance and are utilizing new technology including satellite imagery to find and fix leaks faster.

We continue to work closely alongside the Drinking Water Inspectorate to improve operation and management systems around our water treatment works. This is managed through our Pure Excellence programme. This is a major and high priority project for Portsmouth Water, with planned investment of £3.6m including a newly created team of industry specialists.

OUR 25 YEAR VISION PRIORITIES

PRIORITY ONE: Secure sustainable water supplies for our customers, which protect and enhance our environment in a changing world.

PRIORITY TWO: Be at the frontier of delivering high-quality, resilient, net zero services – for our customers, environment and region.

PRIORITY THREE: Co-create solutions which deliver our customers', communities', and stakeholders' priorities.

PRIORITY FOUR: Affordable water for all. Always.

CEO'S COMMENTS

OPERATING RESULTS

I am pleased to present an overview of our business performance for the 6 months ended 30 September 2023.

Bob Taylor
Chief Executive Officer

19 December 2023

CUSTOMER SERVICE

C-MeX

C-MeX is the standard water industry measure of customer service and satisfaction, as measured by independently run customer surveys. In Ofwat's annual C-MeX results for 2022/23 we sat in second position in the sector. Following the recent issue of the Q2 2023/24 results I am really pleased to report that we have moved to first position. Our focus is now to retain this focus on great customer service and maintain this top spot through the rest of the year.

We have further developed our customer billing processes to take advantage of data sharing with third parties, using this to identify customers who may be vulnerable or have affordability issues. This allows us to proactively offer support to these customers. We are working with the Department for Work and Pensions to identify customers that may be eligible for our social tariff, which caps a customer's bill at our lowest possible bill value.

Whilst we continue to have the lowest bills in the industry, we recognise that customers are facing some of the most challenging times in recent memory with continuing high inflation, interest rates and energy costs. As well as our recognised social tariff, we continue to assist with payment holidays, flexible payment plans and cross industry collaboration and we engage in pro-active dialogue with our customers to support them wherever we can.

D-MeX

In Q1 2023/24, for the Developers Measure of Experience (D-MeX), Portsmouth Water was ranked 6 out of 17 water and wastewater companies in England and Wales, with a score of 90.2%. D-MeX measures the quality of the services we provide to our developer customers, including large and small property developers, self-lay providers (SLP), new appointees and variations (NAV), and other customers requesting a new water connection. Our aim is to achieve an upper quartile D-MeX performance throughout the AMP7 period (2020- 25).

Holistic Reporting

Holistic reporting is a means of monitoring and comparing wholesalers' performance across a range of measures, to provide a view of trading party performance in the non-household retail market. Holistic reporting replaced the previous peer comparison reporting of Market and Operational Performance Standards. We were ranked 4th at 2023 half year end in the market operator, MOSL's, holistic reporting. We were not subject to any Initial Performance Rectification plans during the half year.

HEALTH, SAFETY AND WELLBEING

Health and Safety continues to be our top priority and our focus on this area is maintained by openly sharing information on accidents and near misses inside and outside the Company. We achieve this with an ongoing programme of company-wide campaigns and initiatives and through our extensive staff training and development. These activities have enabled the business to record a dramatic fall in the number of accidents over the last 10 years. We are in the process of putting in place 'best in class' health and safety management arrangements for the Havant Thicket reservoir project.

Our wider approach also includes the area of wider employee wellbeing, as is shown in our annual policy statement endorsed by the Board. Mental health and wellbeing is an area that is becoming more prominent in wider society and the workplace. We have a long history of supporting our employees in many areas of mental health. Wellbeing is now considered on an equal footing to conventional Health and Safety throughout the business.

INVESTING IN OUR PEOPLE

A highly skilled and motivated workforce delivering for our customers.

We work hard to ensure that our staff demonstrate behaviours which align with our core values - Excellence, Integrity, and Future Focus. We believe this work is key to successfully achieving our vision of 'Excellence In Water. Always'. We continue to invest heavily in our people and have now utilised over £0.5m from the Apprenticeship Levy - this has been allocated mainly to our front-line operations staff, and helps ensure that we have highly trained staff delivering the best service to our customers.

PR19 BUSINESS PLAN
OUTCOME DELIVERY INCENTIVES (ODI) UPDATE

The Final Determination from the water economic regulator ('Ofwat') for the current AMP7 period confirmed 26 ODIs, including 1 new ODI's relating to the Havant Thicket reservoir project. Ofwat proposed 10 Common ODIs, which apply equally to all companies. We proposed, and Ofwat confirmed, 15 Bespoke ODIs and Ofwat proposed 1 for Havant Thicket. Of the 26 ODIs - 18 are financial and 8 are reputational (non-financial). Financial ODIs may be penalty only or reward and penalty. All ODIs are listed below by type.

The ODI package is significantly greater than the previous "PR14" determination, with common ODIs being applied to all companies. The financial impacts / adjustments are all within the period for AMP7.

	Rewards & Penalties	Penalty Only	Reputational
Common ODIs	Interruptions, Leakage, PCC, C-MeX, D-MeX	Compliance Risk Index, mains repairs, unplanned outage	Severe drought, Priority Services Register
Bespoke ODIs	Catchment management, AIM, Grant scheme, Voids	Water quality contacts, Biodiversity, Low Pressure, Affordability, WINEP (timing), Havant Thicket	Resilience, TUBs, Carbon, Vulnerability, RoSPA, WINEP (delivery)

The following table provides a progress update against each ODI. The data is for half year, ending 30 September 2023. We use a traffic light system to indicate performance and issues.

We note that, based on overall performance to date, we are forecasting a small net ODI penalty in respect of the 2023/24 financial year. We continue to perform well in the key areas of Customer Service (C-MeX and D-MeX), and Interruptions, but are disappointed to report that we are likely to fail our stretching targets in relation to five ODIs, as set out in the following table.

ODIs		Update
1.	**Compliance Risk Index (measured from 1 January 2023)**	We have had 9 compliance failures between January and September 2023 with a maximum estimated CRI impact of 5.64 for the 9 month period. This is above the target of 2.0, which will result in an ODI penalty. Most of the CRI score is attributed to a failed turbidity compliance sample taken from our Farlington Treatment Works, which has an estimated individual score of 4.3. The failure was attributed to the sample line, and was not representative of the water that customers have received. A programme of works is in place to replace the sample line and prevent any such re-occurrence.
2	**Interruptions to Supply**	Excellent performance has been maintained. Interruptions continue to be significantly better than expected, as a result of good management of both planned and unplanned events. Our forecast position for end of year is 2 mins 35 secs, outperforming our target of 5 mins 45 secs. We are forecasting a reward for 2023/24.
3	**Leakage**	The Company has seen a rise in leakage levels over recent months, largely as a result of continued dry ground conditions through the summer period. Despite the additional resources being allocated to this area (as detailed on page 15), we are now forecasting to achieve a full year leakage average for 2023/24 of 28.8 Ml/d. This will represent an improvement on the leakage score achieved in the 2022/23 prior year (32.2 Ml/d),but is still below the ODI target for the year (24.9 Ml/d, based on a 3 year rolling average).
4	**Mains Repairs**	We have continued a strong performance in mains repair, despite difficult ground conditions, due to our improvements to pressure control and mains renewal. Our forecast position for end of year is 66 repairs per 1,000km of mains, outperforming our target of 70. Therefore, we are forecasting not to have to pay an underperformance payment for 2023/24.
5	**Unplanned Outage**	The unplanned outage assessment is completed at the end of the financial year. We anticipate at this stage that end of year performance will continue to outperform our Ofwat target of 2.34%. Therefore, we are forecasting not to have to pay an underperformance penalty for 2023/24.
6	**Priority Services Register**	Having already exceeded the end of AMP target in previous years, we continue to add customers to our Priority Services Register organically and through our partnership with SSEN. As a result, we have already achieved our end of AMP7 target of 9% and are currently at 11.4%.
7	**Water Quality Contacts (measured from 1 January 2023)**	We experienced a small rise in the number of water quality contacts, albeit still one of the lowest numbers in the industry. This has been due to a number of network operations and challenging bursts, leading to increased calls related to the appearance of water supplied. Results for the year to date are largely in line with the ODI annual target of 0.42 contacts per 1,000 customers. We continue to work hard to reduce contacts through further network improvements and customer communications.
8	**Household Voids**	We have continued to reduce voids to the lowest level with our average half year performance being 2.15% compared to 2.28% in 2022. Our level of void properties remains low compared to industry levels. We continue to target ways to reduce level of voids below our target of 2.0% but it is likely we will incur a small penalty.
9	**Affordability**	We now have over 12,000 customers on our social tariff relative to the Ofwat target of 9,500 for 2023/24. We have now achieved our end of AMP7 target of 10,000 customers but we have expanded the scheme to provide additional help to those struggling during the cost of living crisis.
10	**C-MeX**	The results for C-MeX for the first two quarters of 2023/24 have been published. We are ranked first overall in the industry-wide assessment of Customer Satisfaction (customer views of service provided).
11	**D-MeX**	The D-MeX result for Q1 of 2023/24 have been published and we are ranked 6th out of the 17 UK water companies. We are acting on the feedback provided in qualitative surveys and targeting to be in the top quartile for the remaining quarters of 2023/24.
12	**Per Capita Consumption**	We believe we are seeing a new 'normal' level of water consumption emerge, which is higher than pre-covid levels and largely a result of more flexible working patterns. We have continued to work hard to influence customers to reduce their water usage. Our broadcast communication messages to customers are focused on promoting water efficiency and our offer of free domestic water efficiency devices. We use incentivization based on charitable donation to encourage engagement and participation. Our metering programme is on course to deliver our Water Resource Management Plan commitment, with planning well underway for introducing a universal Smart metering programme from 2025 onwards. We are introducing a programme of water saving visits to domestic customers who have known high consumption levels to help them become more water efficient - and save money on their bills. The current value for PCC is in line with our Water Resource Management Plan requirements (140l/h/d), but following higher levels of consumption in previous years, we are behind our three-year rolling average target defined by Ofwat, so we expect to miss the target in the 2023/24 period.

ODIs		Update
13	**Catchment Management**	We have engaged with a number of farmers in the last quarter as part of our WINEP catchment schemes to secure uptake before autumn as the optimum time for soil sampling and analysis is late winter/early spring for nutrient management planning. We are contacting farmers to recruit them for the catchment management programmes and we are are confident in securing the targeted number of farms by the end of Q3 for delivery in Q4. Therefore, we are forecasting not to have to pay any underperformance payment for 2023/24.
14	**Grant Scheme**	Applications for the 2023/24 scheme have closed as a result of being oversubscribed for this year. The scheme will open again for bids on 1 April 2024. This is a successful outcome and shows the effectiveness of our engagement with the farming and land management communities. Therefore, we are forecasting not to have to pay an underperformance payment for 2023/24.
15	**Biodiversity**	After putting in place mitigation measures to deliver improvements in 2021/22, we continue to perform well against this metric. We are expected to outperform our 90% target and therefore are not expecting to pay an underperformance penalty in 2023/24.
16	**AIM**	We monitor the river level of the Hamble at Frogmill. Despite challenging conditions at times, the flow has not dropped below the trigger level (of 104 l/sec) in the year and therefore no action has been required by the Company at Northbrook pumping station. Therefore, we are forecasting not to have to pay an underperformance payment for 2023/24.
17	**Low Pressure**	We have a performance commitment to reduce the registered number of properties at risk of low pressure to below 30 by March 2024. Work is underway to increase pressure where required during the current year though the target is challenging.
18	**Carbon**	We achieved a 15% reduction in this measure which is significantly above the 3% target for the 2022/23 year. This was impacted favourably by switching to renewable energy sources and increasing the use of PV solar energy generated on site. We are expecting a similar positive performance in 2023/24.
19	**Havant Thicket**	We continue to see good progress on Havant Thicket reservoir, with the project remaining on schedule, as detailed on pages 18 and 19 below. There are two specific ODI's relating to the Havant Thicket project, the first of which (dry commissioning) does not apply until 2026.
20	**Avoidance of Restrictions**	Following the 2022 summer drought we experienced significant autumn rainfall in the Environment Agency's Solent and South Downs region, which covers our area of supply. This led to a rapid recovery of groundwater levels, and they have remained above the long-term average through 2023 to date. As such we did not need to implement our drought plan in 2023 and therefore Temporary Use Bans were avoided.
21	**Severe Drought Index**	This ODI relates to the number of customers at risk of severe restrictions in a 1 in 200-year drought event. It is Ofwat's metric to quantify how companies are delivering against their WRMPs. Several actions we planned to undertake are in progress, including improvements at borehole sites and our metering programme. The completion of these actions is crucial to meeting this ODI. We are also continuing with our enhanced water efficiency programme to help reduce demand. Challenges such as weather events and the Covid-19 pandemic mean that we are not currently meeting the target for this ODI. However, we are continuing to implement action plans that seek to close the gap by the end of this AMP.
22	**WINEP Delivery**	We have 18 schemes in our agreed WINEP programme for the AMP7 period, with 13 of these schemes completed by 31 March 2023. The remaining schemes are expected to be finished on schedule.
23	**WINEP Timing**	As noted above, progress on all schemes is positive, including those being undertaken jointly with Southern Water and South East Water. We are therefore not forecasting any underperformance penalty for this in 2023/24.
24	**Resilience Schemes**	These are three capital schemes which were explicitly recognised in our Business Plan and the Final Determination. They are not scheduled for 2023/24 but are later in AMP7.
25	**RoSPA Recognition**	We have registered for the 2024 RoSPA award following the achievement of the 2023 Order of Distinction. Performance reporting and evidence is based on the Calendar year. There are no indications that our current approach and record in the year on Health, Safety and Wellbeing will prevent us from achieving a similar award in the new year.
26	**Vulnerability Survey**	We will undertake this survey with agencies who support customers at the end of the regulatory year (ie. in the period from January to March 2024)

BIODIVERSITY MANAGEMENT

We have been planning and implementing our autumn and winter programme of site enhancements including Priority Habitat Management during the later half of this year. Again, this has been challenging due to a backlog of work and increased vegetation growth on all sites.

We successfully launched the fourth year of our Biodiversity Grant Scheme as part of our environmental commitments to enhance the habitat network within Portsmouth Water's catchment area. So far this year we have received 12 applications for which 7 were approved with a total value of just under £50,000.

The range of activities include:

- South Downs National Park – 2 separate Dew Pond restoration schemes;
- Hampshire & Isle of Wight Wildlife Trust - securing bird roost sites & water vole restoration of St Clairs Meadow, Soberton;
- Bidbury Mead Friends - Tree planting and wildflower meadow planting;
- National Trust – woodland management; and
- Staunton Country Park – construction of a bat roost

CATCHMENT MANAGEMENT

We are currently in the fourth year of our AMP7 WINEP Catchment Management programme that includes Payment for Ecosystem Service (PES) package of funding to support farmers to reduce pollution across our priority catchments that are at risk of failing due to levels of nitrates. The results have included putting over 1000 hectares of arable land into schemes to help reduce nitrate leaching, with funding provided to farmers for enhanced soil testing that has enabled better nutrient management plans.

We have had a number of agricultural pilot trials that came to an end for this AMP period. The trials included looking at reducing nitrate leaching into groundwater while not affecting overall yields and farm income and increasing carbon sequestration. The trials provide innovative and practical solutions for farmers supporting catchment and nature-based solutions. We are looking at organizing several farmer workshops later in the year to further promote the pilot trial outcomes.

This year we have undertaken comprehensive catchment walkovers for all our groundwater abstractions. The walkovers gathered considerable amount of information on the land use and activities that pose a potential water quality risk. This information will be used to target farmer and landowner engagement and feed in to our Drinking Water Safety Plans.

LEAKAGE

As noted in the 'ODI' update section above, the Company is forecasting to miss its leakage target for the 2023/24 period, largely as a result of continued dry ground conditions through the summer period. A Leakage Recovery Plan is in place focusing on four main areas: Data, Detection, Repair and Pressure. We have doubled the number of Leakage Technicians and increased the number of contractors we engage to fix leaks. This has resulted in daily leakage levels falling from 34 Ml/d in April 2023 to 25 M/l in September 2023, although the hot weather through June to August saw leakage levels rise in this period, along with demand for water from customers.

We are actively looking to build further leakage improvements by ensuring that our data is "smart" and dependable. This will allow our detection team to locate leaks quicker, resulting in a quicker response from our repair teams. We are also proactively calming the network through pressure optimisation schemes, which helps prevent leaks from occurring. We continue to utilise innovative leak detection techniques and participate in many industry-wide projects that aim to detect and locate difficult to detect leaks quicker and more efficiently. This includes two new initiatives, Satellite Leak Detection and an Electronic Listening Stick Service.

- The Satellite Leak Detection work has yielded some impressive early results, with a conversion rate close to 100% from the first batch of investigations. We are hopeful that this method will improve our ability to detect leaks on our non-ferrous and trunk main network. Our ferrous network is monitored by fixed acoustic technology, which we have recently upgraded and have seen improved operability as a result.
- The Electronic Listening Stick Service is being trialled as a solution to help manage breakouts, with the ability to increase resource levels at short notice. The trial covers around 12% of the properties on our network, and not only can detect leaks, but also produce a sound file for every connection and fitting. So far, over 80 leaks have been detected within the first third of the trial population.

We understand the critical role that lowering leakage has on abstraction, encouraging water efficiency and increasing resilience. Leakage is and will continue to be of great importance to our customers and stakeholders, and we aim to continue improving our performance in this area, wherever we can.

PURE EXCELLENCE

The 'Pure Excellence' programme has been established to deliver against the 'Management and Training' legal notice issued to the Company by the Drinking Water Inspectorate (DWI) in 2021. Improvements are required across three main areas of the business including documentation, training and the management of disinfection and treatment of water. The programme also focusses on delivering cultural change throughout the business to ensure that future processes are in line with DWI expectations.

Progress against the notice is monitored on a six-monthly basis by the DWI and the Company has received satisfactory feedback to date. Key areas of development include delivery of a competency-based training programme for our Production Operators and the development of a document management system that will satisfy the requirements of the notice, as well as deliver a company-wide system for the management of documentation.

The scope of the programme also includes activities associated with the improvement and maintenance at our operational sites to a new company standard to remove or reduce the reduce the risks to water quality and related health and safety matters.

CAPITAL INVESTMENT

Capex Forecast Headlines

The Investments target expenditure for the 2023/24 financial year (excluding spend on the Havant Thicket reservoir project) has increased to £21.8m (Gross Total Capex). This represents an unprecedented programme of investment in a single year. As at 30 September 2023, the total spend for the 6 month period was £11.4m, so we are well positioned as we enter the winter period. We have accelerated some expenditure from our AMP8 plan in agreement with Ofwat, with accelerated capex for 2023/24 of £4.5m. This includes projects for the new CRM, Billing and Smart Metering programmes, with spend on these for the 6 month period to date of over £1.2m, in line with forecasts for the projects.

Above ground investment

The major programmes of work are being delivered through our framework contracts, with £1.6m spent by Trant in the 6-month period to 30 September 2023, and £0.5m by Stonbury relating to reservoir maintenance. Other notable Non-Infrastructure project spend in the 6-month period includes the investment work on AMP8/PR24 submissions to the water regulator (£2.4m), further work on the Pure Excellence water quality project (£0.5m), and work on specific schemes at Funtington (£1.1m) and River Itchen (£0.4m) and specific projects for Energy Reduction (£0.3m), Pipe Store Relocation (£0.3m) and CT schemes (£0.3m).

Below ground investment

Mains renewals

The mains renewal spend target for the 2023/24 year remains at £3.7m. In the 6 months to 30 September 2023, 5.2km of Mains were renewed, at a cost of £1.5m. The infrastructure renewals activity has consistently met renewal pipeline targets and we continue to reduce the 'cost per km' spend by the increased use of trenchless technologies to replace pipes.

Mains growth (new mains on development sites)

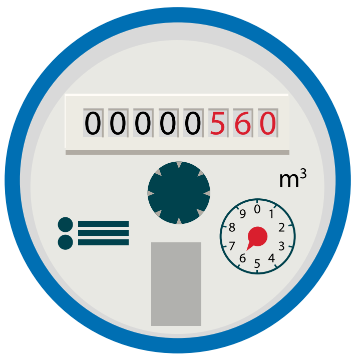
Developer demand is below normal levels due to current economic uncertainty, and in the 6 months to 30 September 2023 only 2km of new pipes were installed, compared to the normal (pre-pandemic) six-month average of 5km. Mains requisition requests have not decreased by the same amount and although overall demand in the sector has reduced, it is evident that developers are progressing more of their schemes via 'self-lay' organisations and NAV arrangements.

Network Reinforcements

Spend in the 6 month period to 30 September 2023 was low at £0.2m. A modelling exercise is currently being completed by consultants HydroCo for the Littleheath and Pagham areas and schemes are being developed for delivery in 2024 & 2025 at an anticipated cost of circa £2.5m.

Meters

Against a target of 30,000 new meter units for the 5 year AMP7 period, just over 27,000 new meters had been installed by 30 September 2023, at a cost of £140 per unit, across all meter programmes. Efficiency savings of over £1.2m are anticipated to arise from this programme.



HAVANT THICKET WINTER STORAGE RESERVOIR

Key milestones achieved to date include:

October 2020
Submission of planning applications

January 2021
Bulk supply agreement signed by Portsmouth Water and Southern Water

October 2021
Planning permission approvals & start of tree removal works

April 2022
Reservoir enabling works contracts awarded

May 2022
Evaluation of main works tender responses

August 2022
Main pipeline contract awarded (to Ward & Burke)

December 2022
Trial embankment completed & B2149 highway improvements completed

January 2023
New regulatory allowance relating to reservoir construction set by Ofwat

February 2023
Main reservoir contract awarded (to Future Water MJJV)

March 2023
£325m investment (equity and debt) secured to finance the reservoir project

July 2023
80 Hectare rewilding contract & farmland lease signed with the Pig Shed Trust

July 2023
£120m additional equity funding secured from shareholders

September 2023
Northern access route opened for construction traffic

Creating the trial embankment

Portsmouth Water is demonstrating with agility and pace that the water industry can deliver major infrastructure projects efficiently, safely and with care for the environment and communities they serve.

In the space of just three years, the Company has established a client project management team, secured planning permission, awarded the main design and construction contracts, and completed the enabling works needed for construction to start in 2024.

Expenditure in the first half year of 2023/24 was £13.4m and total expenditure to date (excluding related borrowing costs capitalised) is now over £60m. Programme delivery on the reservoir construction remains on schedule. Consultation on a new pipeline in collaboration with Southern Water ('SWS') to ensure alignment with their strategic resource options scheme has resulted in a review of the wider scope of our Havant Thicket scheme.

Hampshire Water Transfer and Water Recycling Project

Having developed plans for the Project, Portsmouth Water is now engaged in the next phase of the regional water resource planning and is working with SWS to support the Hampshire Water Transfer and Water Recycling (HWTWR) Project. SWS is developing plans for the HWTWR Project which, if approved by regulatory bodies, will see an additional deployable output of up to 90 Ml/d being sourced from the Project and supplementing the reservoir with high-quality recycled water. If approved, the HWTWR Project will provide further benefits to protect Hampshire's rare chalk streams and provide increased certainty around water supply resilience for the whole South East region.

In June 2023, Portsmouth Water and SWS entered into an agreement which will allow Portsmouth Water to progress 'Alignment Works' between the Havant Thicket Reservoir and the HWTWR Project. These Alignment Works will ensure that the reservoir and associated pipe network has the capacity and flexibility to accommodate additional flows of water into and out of the reservoir, if SWS secures the planning approvals needed for the operation of the HWTWR project. By carrying out this work now, rather than after completion of reservoir, Portsmouth Water can significantly reduce the carbon impact, disruption to our local community and cost of the works to SWS customers.

Portsmouth Water is looking ahead to SWS securing planning permission and being able to incorporate the required Alignment Works into the scope of our Havant Thicket project. It should be noted that the inclusion of these works may impact the programme by delaying the final commissioning of the reservoir by up to 2 years. The overall costs of our Havant Thicket scheme will also increase, so we are in discussions with Ofwat and plan to agree the required funding changes through a second Cost Adjustment Mechanism which should align with the next regulatory business plan determination in December 2024.

DEVELOPMENT OF NON-REGULATED BUSINESS

The development of the group's solar assets continues, with 3 new sites totaling 800KW capacity commencing construction in early 2024 to compliment the 1.6MW of new solar power generating equipment already installed. A further 4MW scheme is currently being considered by the planning authorities with a decision due shortly.

A 'Pre-App' planning enquiry has also been submitted for a large-scale battery project (150MWp) and has received a positive response from the planning authority. The full planning application will now be submitted in early 2024, as negotiations with the National Grid continue to secure a near term grid connection date. A second large battery scheme is being considered at a second nearby site. The necessary access and lease agreements are being secured, with the National Grid connection and capacity having already been agreed and secured.

The commercial terms for the project to use ground sourced potable water to supply heat to homes via an ambient loop network have been agreed and final contract signing is expected imminently. Once confirmed, the project will be designed, built, and commissioned for energisation and service delivery for phase 1 (700 dwellings) before the end of 2024. Phases 2 and 3 are expected to follow soon afterwards, with over 3,000 connections to be completed by 2035.

ECONOMY

The cost-of-living crisis puts pressure on our customers and the Company's ability to collect cash from customers. We have seen a slow down in customer payments as households struggle with high energy costs and other household costs, which has resulted in an increase to our bad debt provision balance and related cost in the period. Management remains confident that our provision provides suitable coverage against the risks of non-recovery of outstanding debts due. In addition to this, we note the size of the average Portsmouth Water bill remains relatively affordable, compared to other utility costs incurred by households, and the lowest in the water sector.

The Company enjoys a natural hedge against inflationary pressures in the market, such that cost pressures emerging from increased inflation are offset against an increase in the allowed revenues that can be charged to customers under the water regulatory regime. We are seeing inflation stabilize and pressures on energy costs fall. We have fixed all our energy costs for the remainder of the current year and 33% for next year forecast energy requirement to reduce exposure to further global instability while being able to benefit from the current falling prices.

Recent and projected interest rate rises over the coming 12 months present a risk to the Company where our debt is linked to underlying base rates (SONIA). This puts pressure on the Company's financing metrics. Following receipt of additional equity, we have paid down our floating rate facilities so all current debt costs are set at fixed interest rates. We have also put in place future starting interest rate swaps (floating-to-fixed) to reduce our exposure to interest rate volatility, when the draw down of loan balances from our RCF facilities is required to fund our capital programme expenditure. Management continues to monitor this closely and active treasury management in Portsmouth Water Limited ensures that the interest burden across the Group remains as low as possible.

FINANCIAL RESULTS

Chris Milner
Chief Financial Officer

19 December 2023

FINANCIAL RESULTS

	6 months to 30 September 2023 £m	6 months to 30 September 2022 (restated*) £m
Turnover	23.6	22.7
Operating costs (excluding depreciation & amortisation)	(16.7)	(15.0)
Depreciation and amortisation	(3.2)	(3.1)
Profit before exceptional items and profit on disposal of fixed assets	3.7	4.6
Gain on disposal of fixed asset	-	0.1
Operating profit	3.7	4.7
Net investment & finance income and interest costs	(6.7)	(7.9)
Loss for the financial period before tax	(3.0)	(3.2)

* the results and financial position for the 6 months to 30 September 2022 have been restated for the impact from the change in accounting policy relating to the capitalisation of borrowing costs on applicable capital projects, as set out in the audited financial statements for the year ended 31 March 2023

The results for the period have been prepared in accordance with UK Accounting Standards and reflect the provisions of Financial Reporting Standard 102 (FRS102) and have been prepared on a going concern basis. A summary of the financial performance for the 6 months to 30 September 2023 is set out below.

Revenue

Revenue has increased by 4% to £23.6m in the current year compared to the comparative period of the previous year. This increase is largely due to the allowed inflationary increases across both Household and Non-Household customer base. Bulk water sales are in line with high levels in 2022 as we continued to support Southern Water with supplies to customers during periods of peak demand in the summer months.

Operating costs

Net operating costs increased by 11% to £16.7m in the same period. This was largely due to higher energy costs and growth in employment-related costs, reflecting higher levels of staff in place for the expected growth in the business, and 'in line with' inflation pay rises agreed for the new financial year. Bad debt provision costs have also risen, reflecting the increasing risk of non-collection of household bills in the current economic environment. These higher operating costs were partly off-set by a business rates rebate received in the period, which related to a number of sites owned.

There were no disposals of fixed assets and investment properties in the current period, as all remaining properties were sold in the prior year.

Operating Profit

Operating profit at £3.7m represents a £1.0m reduction from the prior period, largely due to the higher operating costs, as detailed above.

Capital Investments

The company has continued to make significant investments in various capital programmes, including the major Havant Thicket reservoir construction, with total spend increasing to £25.4m, compared to £15.3m in the prior period. This excludes the impact of the related borrowing costs incurred, which are now capitalized as part of the related fixed asset carrying values on a number of the larger capital programmes.

Cash and Cash Flow

Operating cash flow in the half year of £8.7m inflow is higher than the prior period (£4.5m) largely reflecting changes in the underlying working capital balances. Overall net cash balances held have increased significantly to £64.4m (£21.5m at 30 September 2022) as a result of the new debt financing raised by the company in March 2023, and new capital issued in the 6 month period since. Full details are set out below.

Capital Cash Contributions

The Company receives capital contributions primarily in connection with new mains for housing developments. In accordance with the requirement of FRS102 these contributions are deferred and amortised to the Income Statement. Amounts received year to date were £0.3m (prior year to date £0.4m) with £0.4m released in the period to turnover (prior year to date £0.4m).

Investment and other finance income

Investment and other finance income has increased to £3.2m compared to £0.8m in the previous period. This increase largely reflects interest income from the higher excess cash balances held as short term deposits in the period, following the new debt and equity receipts in March 2023 and July 2023, as well as £0.5m of gains realised in the period on new hedging financial instruments that have matured in the period.

Interest and other finance charges

These have increased in the period to £9.9m from £8.6m in the previous period, and are recorded net of borrowing costs of £3.8m (2022 - £1.6m) which have been capitalized into the main capital projects under construction in line with the company's revised accounting policy for such capital projects. The increase in the gross interest and financing costs is due mainly to the high indexation charges arising on the long standing Artesian RPI loan and the new CPI Bond, reflecting the high inflation levels applicable in the current period on both these borrowings.

In addition, the finance costs also includes a fair value loss of £1.0m (2022 - £Nil) arising in the period on a new RPI-CPI 'swap' financial instrument that the company has put in place, effective from April 2023. This is to protect the business against adverse variances in the movement in RPI compared to CPI, in the period through to 2032, when the RPI linked Artesian loan matures. Hedge accounting, which is used for other floating-to-fixed interest rate 'swap' contracts also put in place from April 2023, is not possible for this RPI-CPI swap.

Actual interest costs incurred in the period are all at fixed interest rates, as no interest is yet due on the new (March 2023) RCF borrowing facilities, as no draw down of loan balances on these new facilities has yet been required. As noted, when these draw-downs do occur, the company has put in place floating to fixed interest rate swaps to hedge most of the risk associated with the floating rate interest payments.

Pensions

The Company is the principal employer of the Brockhampton Pension Scheme, a defined benefit scheme. The scheme closed to future accrual with effect from 31 March 2023, and no future pension charges or cash contributions from employees or the Company are expected to be required. The latest valuation as at 31 March 2023 based on FRS102 assumptions and market movements was calculated and estimated a net pension asset surplus of £28.9m. In line with the required FRS102 accounting requirements, and the closure of the scheme to future accrual, none of this surplus was recognized by the Company as at 31 March 2023 or at 30 September 2023.

Dividend

During the 6 month period to 30 September 2023 the Company has paid the dividend of £2.3m (2022 - £3.4m) it declared as part of its prior year end. No dividend has been declared relating to the FY2024 financial year, and any dividend payable will be considered at the 31 March 2024 year end as part of the assessment of the performance of the Company and its overall financial position.

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 was originally made through Southern Region Water Holding Limited, a company incorporated in Hong Kong. In July 2023, this company was replaced by a new investment holding company, Ancala Fornia Topco Pte Limited, a company incorporated in Singapore. This company is now considered to be the ultimate parent undertaking of Portsmouth Water Limited.

Investment by Ancala into Portsmouth Water Limited is effected through Ancala Fornia Holdco Limited ('AFHL'), a UK based company. Group financial statements for 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 AFHL group are generated and payable in the UK.

Further information on the Portsmouth Water group structure can be found in the Portsmouth Water 2023 Annual Report & Accounts.

Financing structure

The wider Portsmouth Water group, including its UK parent companies, has raised up to an additional £495m of financing over the current regulatory period since 2020, primarily to support the development and construction of the Havant Thicket reservoir and other capital enhancement projects. This has been achieved through a combination of £250m of new revolving credit facilities (£45m of which is in parent companies), and a £75m CPI linked bond (both of which were secured in March 2023), with an additional £170m of equity to be provided by its ultimate parent Ancala. Some £140m of this new equity has been provided since the start of 2023, with the company increasing its issued share capital by £80.0m, with an additional repayment of the separate £55.5m long term financing loan due from a parent company.

In the period to 30 September 2023, the additional funding balances received from the new CPI Bond issued and new equity received has largely been placed on short term bank deposits and similar short term (liquid) investments, with the total of all such balances at 30 September 2023 now being over £144m. These will be used over the next few years to fund the ongoing capital investment projects. As such, no draw downs on the RCF facilities in place have been made, or are expected to be required, through to the FY2024 period end.

Covenant Compliance

We 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 date of this report.
- 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 Regulated Asset Value.
- There has not been any other events identified, which has or would be reasonably likely to have a Material Adverse Effect on the assessment of covenant compliance.

KPI Ratios

The ratios set out below and those included later in this document are calculated at the Portsmouth Water (operating Company) level.

Gearing

Net debt to regulatory capital value ('RCV') is a key covenant compliance measure required by the Company's Artesian index linked loan.

Gearing has been calculated using RCV calculated using both the 'old' RCV measure, which excludes the impact on RCV of the revised Havant Thicket project budget agreed with Ofwat in January 2023, and the 'new' RCV measure, which includes this impact.

Net debt to RCV on the old measure at 30 September 2023 was 37.7% (30 September 2022 - 75.9%), and using the new measure was 27.7%, both measures being comfortably within the ceiling imposed by the bond covenant (86%).

Interest cover

The interest cover ratio of 1.4 times for the 6 months to 30 September 2023 (2022 - 1.73 times) remains in line with the current covenant requirement.

Credit Rating

As at the period end the Company had a credit rating with Moody's which remains at 'Baa2 Stable', following a rating review in January 2023 following agreement of increase funding for the Havant Thicket project control.

Liquidity

As noted above, the Company is considered to have the required access to the cash resources, through both available cash deposits and other funds held at 30 September 2023, as well as the unutilized borrowing facilities, that the Company will require to manage the business for the foreseeable future.

Outlook

As we move through the fourth year of this regulatory review period we will continue our operational focus on delivering exceptional customer service and providing high quality water. We will work to implement our action plans in relation to meeting the 26 stretching regulatory ODIs and to deal with the ongoing impact of the cost of living crisis as it impacts our customers. There will be continued focus on the delivery of the major Havant Thicket construction project and a number of other critical capital programmes.
We will continue to see a focus on cost reduction and efficiency savings to help offset both the impact of PR19 regulatory settlement and the continuing wider cost pressures across the business.

Following the submission of our PR24 plan for 2025 to 2030 our attention now also turn to preparing the business for the future challenges and needs.

INCOME STATEMENT

For the 6 month period to 30 September 2023

	Unaudited 6 months to 30 September 2023 £000	Unaudited 6 months to 30 September 2022 (restated *) £000	Audited 12 months to 31 March 2023 £000
Turnover	**23,618**	22,673	45,446
Cost of sales	**(15,951)**	(13,655)	(27,176)
Gross profit	**7,667**	9,017	18,270
Net operating expenses	**(3,937)**	(4,461)	(9,467)
Operating profit before gain on disposal of fixed assets and exceptional items	**3,730**	4,556	8,803
Gain on sale of fixed assets and investment properties	**-**	118	142
Exceptional item – settlement and related costs on pension scheme	**-**	-	(820)
Operating profit after gain on disposal of fixed assets and exceptional items and before interest	**3,730**	4,674	8,125
Investment income	**1,536**	678	1,920
Other finance income	**1,679**	100	427
Interest payable and similar charges	**(9,906)**	(8,605)	(16,931)
Loss on ordinary activities before taxation	**(2,961)**	(3,153)	(6,459)
Taxation on loss on ordinary activities	**740**	-	1,462
Loss for the financial period	**(2,221)**	(3,153)	(4,997)

(* the results and financial position for the 6 months to 30 September 2022 have been restated for the impact from the change in accounting policy relating to the capitalisation of borrowing costs on applicable capital projects, as set out in the audited financial statements for the year ended 31 March 2023)

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the 6 month period to 30 September 2023

	Unaudited 6 months to 30 September 2023 £000	Unaudited 6 months to 30 September 2022 (restated *) £000	Audited 12 months to 31 March 2023 £000
Loss for the financial period	**(2,221)**	(3,153)	(4,997)
Remeasurement of net defined benefit pension scheme asset	**-**	-	(14,142)
Fair value movements on hedge accounted financial instruments	**1,853**	-	-
Deferred tax relating to pension asset and financial instruments	**(463)**	-	3,535
Total comprehensive loss for the period	**(831)**	(3,153)	(15,604)

SUMMARISED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	Unaudited as at 30 September 2023 £000	Unaudited as at 30 September 2022 (restated *) £000	Audited as at 31 March 2023 £000
Fixed Assets			
Intangible fixed assets	**10,560**	1,603	5,032
Tangible fixed assets	**233,264**	188,783	211,244
Investments	**-**	55,484	55,484
	243,824	245,870	271,760
Current assets			
Investments (including short term deposits)	**80,002**	2	2
Stock	**619**	529	659
Debtors	**15,467**	13,899	15,264
Cash at bank & cash equivalents	**64,415**	21,511	54,073
	160,503	35,941	69,998
Creditors: Amounts falling due within one year	**(23,181)**	(36,216)	(24,944)
Net current assets/(liabilities)	**137,322**	(275)	45,054
Total assets less current liabilities	**381,146**	245,595	316,814
Creditors: Amounts falling due after more than one year	**(230,217)**	(168,217)	(222,335)
Accruals and deferred income	**(34,410)**	(34,623)	(34,510)
Provisions for liabilities	**(8,770)**	(10,378)	(9,047)
Net assets excluding pension asset	**107,749**	32,377	50,922
Pension asset	**-**	10,996	-
Net assets including pension asset	**107,749**	43,373	50,922
Capital and reserves			
Called up share capital	**81,078**	1,078	21,078
Reserves	**26,671**	42,295	29,844
Shareholders' funds	**107,749**	43,373	50,922

(* the results and financial position for the 6 months to 30 September 2022 have been restated for the impact from the change in accounting policy relating to the capitalisation of borrowing costs on applicable capital projects, as set out in the audited financial statements for the year ended 31 March 2023)

SUMMARISED STATEMENT OF CHANGES IN EQUITY

For the 6 month period ended 30 September 2023

	Unaudited 6 months to 30 September 2023 £000	Unaudited 6 months to 30 September 2022 (restated *) £000	Audited 12 months to 31 March 2023 £000
Called up share capital	**21,078**	1,078	1,078
Share premium account	**9,382**	9,382	9,382
Capital redemption reserve	**3,250**	3,250	3,250
Retained earnings brought forward	**17,212**	36,213	36,213
Opening balance	**50,922**	49,923	49,923
Loss for the period	**(2,221)**	(3,153)	(4,997)
Remeasurement of financial instruments	**1,853**	-	-
Remeasurement of net defined benefit pension asset	**-**	-	(14,142)
Movement of deferred tax relating to pension scheme and financial instruments	**(463)**	-	3,535
Total comprehensive loss for the period	**(831)**	(3,153)	(15,604)
Share issue in the period	**60,000**	-	20,000
Dividends paid	**(2,342)**	(3,397)	(3,397)
Closing balance	**107,749**	43,373	50,922

(* the results and financial position for the 6 months to 30 September 2022 have been restated for the impact from the change in accounting policy relating to the capitalisation of borrowing costs on applicable capital projects, as set out in the audited financial statements for the year ended 31 March 2023)

SUMMARISED STATEMENT OF CASH FLOWS

For the 6 month period to 30 September 2023

	Unaudited 6 months to 30 September 2023 £000	Unaudited 6 months to 30 September 2022 (restated *) £000	Audited 12 months to 31 March 2023 £000
Cash generated from operations	**8,714**	4,502	11,022
Tax paid for group relief	**-**	-	(23)
Net cash inflow from operating activities	**8,714**	4,502	10,999
Investing activities			
Sale of tangible fixed assets and investment properties	**-**	443	467
Purchase of tangible fixed assets (including borrowing costs)	**(24,741)**	(16,518)	(43,329)
Purchase of intangible fixed assets (including borrowing costs)	**(4,676)**	(838)	(3,151)
Short term investment deposits made	**(80,000)**	-	-
Finance lease payment made	**(314)**	-	-
Receipt from repayment of long term investment loan	**55,484**	-	-
Capital contributions received	**264**	400	453
Interest and investment income received	**2,649**	-	686
Net cash used in investing activities	**(51,334)**	(16,513)	(44,874)
Cash flows from financing activities			
Net drawdown/(repayment) of working capital facilities	**-**	500	(22,500)
Net receipts from external borrowings	**-**	12,000	75,000
Net (repayment) of inter-group loan	**-**	-	(4,000)
Receipts from issue of new ordinary shares	**60,000**	-	20,000
Dividend payments	**(2,342)**	(3,397)	(3,397)
Interest and other finance costs paid	**(4,696)**	(1,275)	(2,849)
Net cash generated from financing activities	**52,962**	7,828	62,254
Net increase/(decrease) in cash and cash equivalents	**10,342**	(4,183)	28,379
Cash and cash equivalents at start of the period	**54,073**	25,694	25,694
Cash and cash equivalents at end of period	**64,415**	21,511	54,073
Comprising			
Cash at bank and in hand	**47,785**	21,511	54,073
Cash equivalents	**16,630**	-	-
Cash and cash equivalents at end of period	**64,415**	21,511	54,073

(* the results and financial position for the 6 months to 30 September 2022 have been restated for the impact from the change in accounting policy relating to the capitalisation of borrowing costs on applicable capital projects, as set out in the audited financial statements for the year ended 31 March 2023)

APPENDIX 1 KPI CALCULATIONS

a) Gearing - Net Debt: RCV – as defined by Ofwat (pre-CAM agreement relating to HTWSR)

	Unaudited as at 30 September 2023 £000	Unaudited as at 30 September 2022 £000	Audited as at 31 March 2023 £000
Debt			
Bank RPI Artesian loan	**136,854**	123,776	130,940
Intra-group subordinated loan	**20,623**	36,623	20,623
Bank facilities drawn down	**-**	23,000	-
CPI bond	**76,335**	-	75,000
Debenture stock	**283**	283	283
Cash at bank and in hand	**(64,415)**	(21,511)	(54,073)
Short term investment deposits	**(80,000)**	-	-
(i) Net debt	**89,680**	162,171	172,773
(ii) Regulatory capital value indexed	**237,740**	213,736	220,415
(iii) Gearing - Debt: RCV ratio (i) ÷ (ii)	**37.7%**	75.9%	78.4%

a) Gearing - Net Debt: RCV – as defined by Ofwat (post-CAM agreement relating to HTWSR)

	Unaudited as at 30 September 2023 £000	Unaudited as at 30 September 2022 £000	Audited as at 31 March 2023 £000
Debt			
Bank RPI Artesian loan	**136,854**	123,776	130,940
Intra-group subordinated loan	**20,623**	36,623	20,623
Bank facilities drawn down	**-**	23,000	-
CPI bond	**76,335**	-	75,000
Debenture stock	**283**	283	283
Cash at bank and in hand	**(64,415)**	(21,511)	(54,073)
Short term investment deposits	**(80,000)**	-	-
(i) Net debt	**89,680**	162,171	172,773
(ii) Regulatory capital value indexed	**323,651**	213,736	268,376
(iii) Gearing - Debt: RCV ratio (i) ÷ (ii)	**27.7%**	75.9%	64.4%

b) Gearing - Net Debt: RCV - As defined for banking covenant purposes (pre-CAM agreement relating to HTWSR)

	Unaudited as at 30 September 2023 £000	Unaudited as at 30 September 2022 £000	Audited as at 31 March 2023 £000
Debt			
Bank RPI Artesian loan	**136,854**	123,736	130,940
Bank facilities drawn down	**-**	23,000	-
CPI Bond	**76,335**	-	75,000
Debenture stock	**283**	283	283
Cash at bank and in hand	**(64,415)**	-	-
Short term investment deposits	**(80,000)**	(21,511)	(54,073)
(i) Net debt	**69,057**	125,548	152,150
(ii) Regulatory capital value indexed	**237,740**	213,736	220,415
(iii) Gearing - Debt: RCV ratio (i) ÷ (ii)	**29.0%**	58.7%	69.0%

b) Gearing - Net Debt: RCV - As defined for banking covenant purposes (post-CAM agreement relating to HTWSR)

	Unaudited as at 30 September 2023 £000	Unaudited as at 30 September 2022 £000	Audited as at 31 March 2023 £000
Debt			
Bank RPI Artesian loan	**136,854**	123,736	130,940
Bank facilities drawn down	**-**	23,000	-
CPI Bond	**76,335**	-	75,000
Debenture stock	**283**	283	283
Cash at bank and in hand	**(64,415)**	-	-
Short term investment deposits	**(80,000)**	(21,511)	(54,073)
(i) Net debt	**69,057**	125,548	152,150
(ii) Regulatory capital value indexed	**323,651**	213,736	268,376
(iii) Gearing - Debt: RCV ratio (i) ÷ (ii)	**21.3%**	58.7%	56.7%

c) Cash interest cover

	Unaudited 6 months to 30 September 2023 £000	Unaudited 6 months to 30 September 2022 £000	Audited 12 months to 31 March 2023 £000
Operating profit before profit on disposal of fixed assets and exceptional item	**3,730**	4,556	8,803
Gain on disposal of fixed assets and investment properties	**-**	118	142
Notional pension costs	**-**	-	494
Depreciation and amortisation charges	**3,182**	3,115	6,347
Taxation	**-**	(23)	-
Capital expenditure (net of contributions and excluding borrowing costs capitalised)	**(25,098)**	(14,899)	(41,910)
Amortisation of deferred capital contributions	**(394)**	(363)	(707)
Cash received from sale of fixed assets and investment properties	**-**	-	467
Receipt of new external loans and debt draw-down	**-**	28,000	75,000
Repayment of external loans draw-down	**-**	(27,500)	(22,500)
Receipt /(repayment) of intercompany loans	**-**	12,000	(4,000)
Net drawings from Proceeds account to fund capex *	**23,525**	-	-
(i) Sub-total	**4,945**	5,004	22,136
(ii) Interest paid	**3,532**	2,889	5,230
(iii) Cash interest cover ratio (i) ÷ (ii)	**1.40**	1.73	4.23

(*Proceeds account funds available are in excess of funds required to fund capex due to capital received in advance of the Havant Thicket project funding requirements)

NOTES

1. The interim results for the six months to 30 September 2023 have been prepared under FRS102 and on the basis of accounting policies consistent with those adopted for the year ended 31 March 2023.

   The interim financial information is unaudited and does not constitute statutory accounts as defined in s.434 of the Companies Act 2006. The results for the year to 31 March 2023 have been extracted from the latest published accounts, which have been filed with the Registrar of Companies and on which the report of the auditors was unqualified.

2. Copies of the interim report are available to the public from the Company's Registered Office, P O Box 8, West Street, Havant, Hants PO9 1LG or from our website www.portsmouthwater.co.uk/news/publications/accounts.

For further information please contact:

Bob Taylor
Chief Executive Officer

023 9249 9888
bob.taylor@portsmouthwater.co.uk

Chris Milner
Chief Financial Officer

023 9249 9888
chris.milner@portsmouthwater.co.uk

Our promise to all of our customers:

'WE AIM TO SUPPLY DRINKING WATER OF THE HIGHEST QUALITY, PROVIDING HIGH LEVELS OF CUSTOMER SERVICE AND EXCELLENT VALUE FOR MONEY.'

Portsmouth Water

head.office@portsmouthwater.co.uk
023 9249 9888

PO Box 99, West Street, Havant,
Hampshire, PO9 1LG