

Annual Performance Report 2019-20

Overview

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1. Introduction

This document contains information that allows customers and stakeholders to review our 2019/20 performance and to make comparisons with other companies in the sector. It also provides specific information on the progress we have made on the delivery of customer outcomes and service levels and on our financial performance (including detailed revenue and cost information).

We are required to publish a single Annual Performance Report in a format prescribed by Ofwat and which contains the following four parts:

Part	Content	
1. Regulatory Financial Reporting	A baseline level of historical cost financial information aligned to the way in which price controls (and associated regulatory performance commitments and incentives) have been set.	Part 1 - Regulatory financial reporting
2. Price Control and Additional Segmental Reporting	Further disaggregation of revenue and costs to allow stakeholders to review companies' performance against final determinations.	Part 2 - Price control and additional segmental reporting
3. Performance Summary	A high level report of the performance of the appointed business, including outcome delivery and the regulatory financial results of the regulated business. As a minimum it will include reporting on outcomes and delivery service levels and cost performance.	Part 3 - Performance summary
4. Additional Regulatory Information	Additional financial and non-financial information, including (but not limited to), additional accounting policies, financeability statement, current cost reporting, totex analysis.	Part 4 - Additional regulatory information

In addition to setting out directors' responsibilities and an executive summary of performance, we have (for ease of reference) included here the following key documents:

- Summary of Performance (which can also be found in Part 3 of the report); and
- Income Statement (which can also be found in Part 1 of this report).

We have also prepared a "Data Assurance Summary" of the results of the data assurance the Company has carried out to evidence that the information provided is complete and accurate [Link to Data Assurance Summary](#).

Our Risk and Compliance Statement is included as Part 5 of the Annual Performance Report [Link to Risk and Compliance Statement](#).

Finally, to help customers and stakeholders navigate this and other published documents, we append an 'at a glance' schedule stating where documents addressing individual statutory, licence and regulatory requirements can be found.



2. Board Assurance Statement

In the course of the preparation of this Annual Performance Report, the Board received reports and updates from management, the Reporter and the independent financial auditor on the implementation and review of the processes followed in compiling this Annual Performance Report, which had previously been reviewed by the Audit Committee.

The Board reviewed the Annual Performance Report at its meeting held on 2 July 2020. The matter had previously been considered at the Audit Committee meeting on 30 January 2020 (when processes were reviewed and approved) and on 3 June 2020 (when updates were provided by the Reporter and the independent financial auditor). At each of these meetings appropriate enquiries were made of the Executive team and the relevant experienced colleagues involved, in particular the Director of Strategy and Regulation and also the Reporter and the independent financial auditor.

The Company is required by the terms of the Instrument of Appointment to prepare regulatory accounts for each financial year in accordance with Condition F of the Instrument of Appointment and the Regulatory Accounting Guidelines. In preparing the regulatory accounts, the Board ensures that appropriate accounting policies have been adopted and applied consistently, that applicable standards have been followed and that reasonable and prudent judgements and estimates have been made.

It is the Board's responsibility to ensure that appropriate systems are in place to maintain adequate accounting records, and to institute and maintain systems and controls designed to safeguard the assets of the Company and to take reasonable steps for the prevention and detection of fraud and other irregularities.

Having made reasonable and relevant enquiries, the Board considers that the Company has in place an assurance framework and adequate systems of control as appropriate for a Water and Sewerage Undertaker acting diligently, to allow it to discharge its responsibility for the quality and transparency of the information contained within the Annual Performance Report.

Signed by the Chair on behalf of the Board of Dŵr Cymru Cyfyngedig.

Alastair Lyons

2 July 2020.



3. Overview of the year

Our vision is “to earn the trust of our customers every day”.

Welsh Water’s purpose is to provide high quality and better value drinking water and environmental services, so as to enhance the wellbeing of our customers and the communities we serve, both now and for generations to come.

We know that customers rely on us to deliver high-quality, safe and reliable services every day, no matter what is thrown at us by the weather or other operational challenges. They also need to be able to trust us to be planning well ahead, to ensure those services are sustainable and resilient over many decades to come. To achieve this, we will need ever greater efficiency and innovation, so that our major long-term programme of investment in our assets can be balanced with keeping bills affordable for all.

High Quality Drinking Water

For our customers, being able to rely on the quality of the water we supply to their homes and businesses is their highest priority and expectation of our service.

Safety in Drinking Water - Our water quality remains excellent with our overall compliance at 99.98%, which is a percentage of the total number of failures taken against the total number of tests. In 2019, there were 60 failures out of 243,127 total tests taken, compared to 45 failures in 2018 (247,528 tests). Our performance on the Mean Zonal Compliance measure which is the average percentage figures for 39 key chemical and biological parameters that are tested to establish the quality of water received by customers dropped to 99.94% from 99.97% last year and missed our 100% target. We have never attained the 100% target and neither has any other water company. The decrease in performance this year was mainly attributable to a number of taste and odour detections, that on investigation were caused by issues with the domestic plumbing within the property, which were subsequently rectified by the householder. As our monitoring programme is required to be based on randomly selected customer properties, there is always a risk that these issues will arise and influence overall performance.

Customer Acceptability - The number of contacts we receive from customers about the appearance, taste or odour of their water improved this year to 2.80 contacts per 1,000 customers, our best ever performance over this AMP period, compared to 3.28 last year. While usually harmless, appearance, taste or odour issues can be off-putting for our customers. Such issues are often caused by changes in the velocity of water flows (for example, due to burst water mains or increased customer demand during hot weather), which can loosen iron sediments from within the pipes resulting in discoloured water. We continued to address the number of complaints about discolouration, by accelerating our pipe cleaning and replacement programme and targeting those communities most affected by this problem. We recognise that we have more to do in this area and will be continuing this programme during the next AMP.



Reliability of Supply - Reliability of supply is important for our customers. We manage our network every day to try to ensure any operational challenges we encounter do not impact customers' supply. However, sometimes circumstances outside our control do impact on customer supply, particularly in difficult weather conditions. We have encountered a number of high impacting burst mains during 2019-20, such as, during November in the Hereford area a burst occurred on a 15-inch trunk main which affected almost 7,300 households. We did undertake tankering activities to mitigate the impact on customers. As a result, we did not meet our target of 12 minutes lost per customer during 2019-20 – actual performance was 14.7 minutes lost per customer, which was still a significant improvement on the 16 minutes lost per customer we reported in 2018-19. This measure is highly weather-dependent, but as we continue to invest in mains rehabilitation and replacement we should be better able to control the impact of the weather on these assets.

Protecting the Environment

We are working to ensure that the beautiful environment around us is protected for future generations.

Treating wastewater - Our performance for 2019 was 98.94% compared to 99.64% in 2018. This is based on six waste water treatment works (WwTWs) failing, out of a total of 564 WwTWs with numeric permits. Our performance in 2018 was the best ever achieved.

Preventing Pollution - The total number of category 3 (low impact) pollution incidents in 2019 showed an increase to 120 from 118 in the previous year. We have continued to work with customers on our Let's Stop the Block campaign to raise awareness and improve education on only disposing of appropriate material into the sewer network to reduce blockages. In addition, there were two category 2 incidents (high-significant impact) in the year compared to four last year.

Responding to Climate Change

Climate change remains one of the biggest challenges facing society — and as a country with a large coastline and higher levels of deprivation than the average for the UK, our communities are more vulnerable than most to its effects. As a result, we are determined to help in the global effort to not only reduce the negative impacts on our planet's climate by reducing our own carbon emissions, but also to protect our customers and network from the effects of extreme weather events.

Responding to Climate Change - A key measure of how we are performing in our obligations to tackle climate change is the amount of surface water that is entering our sewers and particularly how much water we are diverting from the sewer networks. This is particularly evident in our RainScape Sustainable Urban Drainage systems (SUDs), which we've installed in Llanelli and in the Grangetown area of Cardiff. These systems retain or divert surface water in the landscape that would ordinarily enter the sewer network. In 2019-20, we have continued our progress in these areas, removing rainfall run-off draining from an area comparable to 21,485 roof area equivalent from the sewer system, up from the 15,967 roof area equivalent removed by 2018-19. With RainScape now becoming an integral part of our development plans across the business, we intend to maintain and accelerate this rate of improvement in coming years to protect more customers from the effects of surface water flooding.



Carbon footprint - Our commitment to cleaner, greener ways of working has meant we have achieved a total 122GWh of renewable generation (water and wastewater) in comparison to our renewable generation of 85GWh in 2018-19. On the wastewater side of the business we missed our target (76.73GWh against a target of 82.22GWh).

Customer Service

Our Customer-led Success approach places the needs of our customers at the heart of everything we do. We take a lot of pride in shaping our services around the needs of our customers — and delivering the best service possible is our top priority.

Customer Satisfaction - In previous years, our primary indicator of customer satisfaction has been the Service Incentive Mechanism (SIM), a quarterly survey by Ofwat to measure how customers feel about our service when they've had to contact us. This involved interviewing both customers who have contacted us when something has gone wrong with their service and customers who have contacted us for other reasons.

Ofwat no longer use SIM and have moved to a new customer experience measure for household customers, known as C-MeX. A company's C-MeX score is calculated as the average of customer satisfaction scores from customer service and customer experience surveys. For 2019-20 we were rated 1st in the sector in England and Wales for customer service based on the new C-MeX measure.

In addition, Ofwat have implemented a new customer experience measure for Developers, known as D-MeX. A company's D-MeX score is calculated as the average of a customer satisfaction survey and a quantitative element based on performance against a selection of Water UK performance metrics. We achieved a score of 84.38, however we will not know our position compared to the sector until all water and sewerage companies publish their results.

We were heartened by our performance in 2019-20 in terms of customer satisfaction and trust, for example, being the first water company ever to be placed in the top 50 of the UK Customer Satisfaction Index.

At-Risk Customer Service - We place huge importance on providing the best possible service all the time. But we know that we aren't always successful in this, and that some customers have experienced interruptions to their services or unacceptable failures of our service. Tackling these types of failures is among our most important responsibilities — and we invest a great deal in our water and wastewater services to help achieve this.

We have seen an improvement this year in the number of customers "at risk" of suffering from repeat problems such as interruptions to water supply, discolouration, odour issues, or sewer flooding — to 613 (2018-19: 641 at risk).

Flooding - Sewage flooding into customers' properties is the worst service failure that can happen — and we are committed to doing everything we can to prevent it happening. The UK and Wales were hit by an unprecedented sequence of storms in February 2020. Storm Ciara arrived on 9th February, followed by Storm Dennis on 15th/16th and finally Storm Jorge on the 28th. This was the wettest February on record in Wales and completed the fifth-wettest winter on record in the UK. Despite the impact of these storms, the 216 incidents of internal sewer flooding was an improvement from 221 in 2018-19.



Non-household Customer Satisfaction - Welsh Water provides services to more than 100,000 business customers in Wales and adjoining parts of England. Our priority has been to improve our performance and reduce costs to our business customers. The level of satisfaction with our service amongst business customers was 88%, equaling our performance in 2018-19.

Affordable Bills

We have a responsibility to balance investment to improve our services with keeping bills to an affordable level to ensure that they are fair for customers. We also focus on supporting those in genuine financial need while pursuing those who can pay their water bill, but choose not to do so.

Affordable Bills - In 2014, we pledged that by 2020 we would have achieved a decade of average annual household bill rises that were at, or below, the rate of Retail Price Index (RPI) inflation. This would ensure that even when times are tough, customers know that their water bills are affordable and as low as possible. We are delighted that in 2019-20 we have achieved ten consecutive years of below RPI inflation average household bill rises.

Help for Disadvantaged Customers - Our record in supporting customers who genuinely need help paying their bills is unmatched in the sector, providing financial help to more people than any other water company. We are also one of the few companies that puts our own profits into funding social tariffs – and we have so far outstripped our own 2020 target of supporting 100,000 customers with such tariffs. At the end of the reporting year for 2019-20 we were supporting 129,148 customers with our range of assistance tariffs.

Looking after our Assets

With more than 27,500km of water mains, over 36,000km of sewers, and hundreds of water and wastewater treatment works, our network is extensive and includes challenging mountainous terrain, sparsely populated rural communities and urban centres. Maintaining our assets for future generations is a critical part of our responsibility to customers — and one we take seriously.

Asset serviceability - This area is assessed by a number of key measures through which Ofwat monitors how we are investing in our assets. For 2019-20, we have reported our position as “stable” across all measures – which remains unchanged from 2018-19.

Leakage - We are committed to significantly reducing the amount of water lost from our network each year – and have invested to ensure that leakage is minimised as far as possible as this is important to our customers. Thanks to a strong effort from teams across the business, and from our customers using water more efficiently during the summer months, we again reduced our level of leakage to 167.9 mega litres per day (from 169.5 last year).

Asset Resilience (Water) - The long-term resilience of our assets is measured against a set of criteria which shows how they are performing and providing service to our customers. As a Company, we invest significantly in our Water Services assets to ensure long-term resilience and service performance particularly in our



water treatment works and other assets. This is a particularly important part of our Welsh Water 2050 long-term vision which aims to strengthen the resilience of our assets to improve services to customers in the future. As such, we are encouraged that our water assets resilience score has remained stable this year at 90.2%, (the same as last year).

Asset Resilience (Wastewater) - With over 36,000km of sewers across our operating area and 834 wastewater treatment works, our wastewater services network is vast and of huge strategic importance. We measure the performance and resilience of a snapshot of this network against a set of criteria to monitor whether it is delivering reliable services for customers. We are pleased to report that we have improved the score to 81.9%, from 79.0% the previous year.

Developing and Protecting our People

We are committed to retaining and developing the best talent for the future – in a culture that keeps our people safe, healthy and happy.

Health and Safety - Our people are our greatest assets — and our greatest ambassadors. So we prize the health and safety of our colleagues above all else and make sure that, whatever they do, they go home safely at the end of the day. As a result, we have focused on building a culture where health and safety is paramount for every job we do. Our operational teams regularly hold “safety days” throughout the year to review best practice and to improve the procedures in each team. This year, we have maintained our best ever performance in terms of RIDDOR injuries (Reporting of Injuries, Diseases and Dangerous Occurrences) — with 8 such incidents during the year affecting Welsh Water colleagues and members of our extensive supply chain. We remain focused on positive intervention and preventing injuries over the coming year.

Competence in role - We are also committed to helping all of our people grow and thrive in their careers at Welsh Water. This is particularly important as we have an ageing workforce. We therefore carry out regular reviews across the business to see whether the teams have the right skills to meet the challenges they will face. Our current score for competence in role has seen a drop in score this year to 83%, from 88% in 2018-19, which has been affected by the impact of Covid-19 and the cancellation of some training courses in March.

An Efficient Business

We are not-for-shareholder, which means that, unlike other water and wastewater companies across England and Wales, all gains are applied for the benefit of our customers. We are committed to running our business as efficiently as possible, working to be as innovative as possible, and to reduce waste across everything we do. This also means we work for the long-term, planning investments over decades, not just for short-term targets.

We continue to invest to maintain and improve the essential services we provide for the future. In 2019-20, this amounted to £456 million in capital investment in our assets and infrastructure (2018/19: £452 million). This is in line with our £1.7 billion investment agreement with our regulator, Ofwat, for the 2015-2020



period and also includes £45 million (2018/19: £56 million) of additional “customer distribution” investment for the benefit of customers and the environment, notably investment in security of supply and schemes to improve energy and cost efficiency.

Financing Efficiency - Since 2001 when Glas Cymru acquired Welsh Water, we have reduced our gearing from 93% to 60%, consistent with the Board's policy of maintaining gearing at or below 60% to maintain our access to low-cost borrowing and our financial resilience. Our industry leading credit ratings from the rating agencies – at the year-end these were: Standard & Poor’s (A-), Moody’s (A3) and Fitch (A), ensures that we can obtain funds for investment at sector leading interest rates, keeping customer bills as low as possible, as with no shareholders all the benefit goes to customers.

Ongoing Engagement with Customers

We are committed to an ongoing programme of customer involvement on a wide range of issues, such as how we can best support customers in vulnerable circumstances, and also how we invest millions of pounds each year that in other companies would go to shareholders, so as to improve the service and value for money that we can deliver for customers in the future.

Engagement with our customers plays a vital role throughout our business and we do this in a variety of ways such as;

- directly through telephone, web and social media;
- seeking feedback and views from our customers across all areas we serve;
- focus groups and customer interviews to gain insight into what customers want and test new services; and
- annual Trust surveys to check we continue to meet customer expectations.

External stakeholder engagement

The Customer Challenge Group (CCG) is an independent panel of people from across the area that we serve who bring with them knowledge and experience from a variety of backgrounds. As well as providing independent challenge to us, they also provide assurance to one of our regulators, Ofwat. Members include organisations representing vulnerable and older people, the Welsh Local Government Association and other business and regulatory bodies. The CCG provides independent challenge, scrutiny and advice to ensure that current and future customers are at the heart of the way we operate.

Resilience

Corporate and financial resilience are key to maintaining a truly resilient business in the long term. Although Welsh Water is not a public sector body and does not fall within the scope of the Wellbeing of Future Generations (Wales) Act 2015, we have developed our approach in Welsh Water 2050 in close alignment with the seven wellbeing goals which are at the heart of the Act, which we consider are equally as desirable for our customers in England as those in Wales. Welsh Water aims to play a significant role in achieving these goals with which we have, therefore, aligned our own 2050 planning.



We are pleased that our strong financial position, built up over many years, as demonstrated by a credit rating that is best-rated in the water sector helped us to have secured a large proportion of our financing need for the next five years in a very well supported bond issue in February 2020.

Innovation

We continue to embrace innovation across the Company and believe that this will help make our future services better, faster and cheaper. Our innovation portfolio in AMP6 included some 621 ideas and proposals which have been reviewed through our iLab process since we started in April 2015. We have completed some 148 projects, winning eight innovation awards in the process.

A big part of our forward planning has been embedding innovation into everything that we do, and ensuring innovation extends to all areas of the Company. This is intended to ensure that our customers will benefit from the widest range of ideas possible, and that we find newer and better ways of delivering services which improve our customers' experience and help us to control or reduce costs.

Our 2020 Innovation Conference, to which we hoped to have welcomed some 700 guests, has been delayed to the end of October. This annual event showcases examples of innovation from around the Company and with our Alliance Partners.

Much of our AMP7 innovation programme benefits will flow through to delivering our longer-term plan outlined in our Welsh Water 2050 vision.

Welsh Water People

We can only hope to earn the trust of our customers through the extraordinary efforts and commitment of all our colleagues in Welsh Water and our wider network of contractors and partners. Key priorities include developing our people and creating an inclusive and welcoming environment with a diverse workforce that reflects the communities we serve.

The dedication of our people has contributed directly to the high level of trust our customers show in us as their water and sewerage company – thank you.

A handwritten signature in black ink, appearing to read 'P. Perry'.

Peter Perry

Chief Executive Officer

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4. Performance Summary

2019/20 Annual Performance <small>(c) Calendar year measure – all others are financial year measures</small>	2019/20 Outturn	2018/19 Outturn	2019/20 Vs Previous Year	FD Target <small>(Final Determination)</small>	2019/20 Vs FD Target <small>(Final Determination)</small>	RAG Vs Sector
A1(a): % Sample Compliance (c)	99.98%	99.98%	✓	n/a	n/a	
A1(b): Mean Zonal Compliance (c)	99.94%	99.97%	x	100%	x	
A2(a): Customer Acceptability (c) <small>(excluding private contacts)</small>	2.38	2.98	✓	n/a	n/a	n/a
A2(b): Customer Acceptability (c)	2.80*1	3.28*1	✓	1.23	x	
A3: Reliability of Supply	14.7 mins	16.0 mins	✓	12 mins	x	
B1: Abstraction for Water	100%	100%	✓	100%	✓	
B2: Treating used water (c)	98.94%	99.64%	x	100%	x	
B3: Pollution Incidents (c)	120	118	x	131	✓	
C1: Responding to Climate Change	21,485	15,967	✓	25,000	x	n/a
C2: Carbon Footprint-Water	45.25 GWh	32.59 GWh	✓	17.78 GWh	✓	n/a
C2: Carbon Footprint-Wastewater	76.73 GWh	52.43 GWh	✓	82.22 GWh	x	n/a
D1: SIM	85 *2	87	x	Top Quartile	*3	*4
D2: At Risk – Customer Service	613	641	✓	425	x	n/a
D3: Properties flooded in the year	216	221	✓	269	✓	
D4: Business Customer Satisfaction	88%	88%	✓	90%	x	n/a
D5: Earning the Trust of Customers	87%	85%	✓	75%	✓	n/a
E1: Affordable Bills	-4%	-2%	✓	-1%	✓	n/a
<small>*1 This figure includes customer contacts relating to issues arising from customers' own private plumbing. If contacts resulting from issues with the customer's own internal pipes are excluded, the 2019 number is 2.38 contacts per 1,000 customers (2018: 2.98). *2 The score for 2019/20 is based on a SIM proxy calculation as SIM did not operate, as Ofwat were operating C-MeX as a shadow year. *3 Performance against FD target (i.e. upper quartile) will not be known until all companies publish their Annual Performance Reports in July 2020. *4 In terms of the RAG comparison against the sector, the green assessment is based on the qualitative element of SIM only.</small>						
Red/Amber/Green (RAG) *Industry comparison against the other water and sewerage companies		Upper quartile Performance		Average Performance		Lower quartile Performance

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2019/20 Annual Performance	2019/20 Outturn	2018/19 Outturn	2019/20 Vs Previous Year	FD Target (Final Determination)	2019/20 Vs FD Target (Final Determination)	RAG Vs Sector
(c) Calendar year measure – all others are financial year measures						
E2: Help for Disadvantaged Customers	129,148 * ₅	120,783	✓	100,000	✓	n/a
F1: Asset Serviceability	Stable x 4	Stable x 4	✓	Stable x 4	✓	n/a
F2: Leakage MI/d	167.95	169.54	✓	169	✓	
F3: Asset Resilience - Water	90.2% * ₆	90.2%	✓	87%	✓	n/a
F3: Asset Resilience - Wastewater	81.9% * ₆	79.0%	✓	78%	✓	n/a
G1: Health and Safety	8	8	✓	n/a	n/a	n/a
G2: Competency for role	83%	88%	x	n/a	n/a	n/a
H2: Financing Efficiency	A-/A3/A	ANeg/A2Neg/A	x	n/a	n/a	
Net Promoter Score	62.9	61.2	✓	n/a	n/a	n/a
Written Complaints	2,693	3,491	✓	n/a	n/a	
Bad Debt	£25.2m* ₇	£21.0m	x	n/a	n/a	n/a
UKCSI	79.8	77.9	✓	n/a	n/a	n/a
Unwanted Calls	n/a * ₈	128,603	n/a	n/a	n/a	n/a
Process Control Index	100%	99.99%	✓	n/a	n/a	
Disinfection Index	99.99%	99.99%	✓	n/a	n/a	
Reservoir Integrity Index	99.98%	99.99%	x	n/a	n/a	
C-MeX	82.47	n/a	n/a	n/a	n/a	
D-MeX	84.38	n/a	n/a	n/a	n/a	n/a
<p>*₅ Both 2018/19 and 2019/20 outturn figure exclude those customers who benefit from our 'Water Collect' scheme. If 'Water Collect' customers benefitting from a social tariff/means of assistance are included, the 2019/20 number is 133,079.</p> <p>*₆ Both 2018/19 and 2019/20 outturn figures are based on the strategically important assets listed at the time of the 2014 FD. In addition, to reporting against this FD measure, we assess performance against the most up to date list of strategically important assets. We set out details of performance against both measures in Part 3 of the Annual Performance Report.</p> <p>*₇ We expect collections to be impacted adversely by the COVID-19 pandemic and have factored this into our year-end provision for overall bad debt charge increasing the charge by £4million to £25 million.</p> <p>*₈ Unwanted contacts were previously included in the calculation of SIM. Since 1 April 2019, SIM has not operated as Ofwat replaced with a shadow year C-MeX.</p>						
Red/Amber/Green (RAG)		Upper quartile Performance		Average Performance		Lower quartile Performance
*Industry comparison against the other water and sewerage companies						



5. Income Statement

	Adjustments				Total appointed £m
	Statutory £m	RAG ¹ differences £m	Non- appointed £m	Total adjustment £m	
Revenue	777.255	(3.879)	5.135	(9.014)	768.241
Operating costs	(746.126)	(11.403)	(6.409)	(4.994)	(751.120)
Other operating income	0.351	-	-	-	0.351
Operating profit	31.480	(15.282)	(1.274)	(14.008)	17.472
Other income	-	19.506	-	19.506	19.506
Interest income	6.075	-	0.366	(0.366)	5.709
Interest expense	(171.260)	(12.176)	-	(12.176)	(183.436)
Other interest expense	-	(2.224)	-	(2.224)	(2.224)
Loss before tax and fair value movements	(133.705)	(10.176)	(0.908)	(9.268)	(142.973)
Fair value losses on financial instruments	(18.075)	-	-	-	(18.075)
Loss before tax	(151.780)	(10.176)	(0.908)	(9.268)	(161.048)
UK corporation tax	1.890	-	-	-	1.890
Deferred tax	0.166	3.409	0.225	3.184	3.350
Loss for the year ²	(149.724)	(6.767)	(0.683)	(6.084)	(155.808)
Dividends	-	-	-	-	-

¹ The Regulatory Accounting Guidelines (RAGs) are the accounting framework set by Ofwat in accordance with condition F of companies' licences. The RAGs are based on statutory reporting guidance, modified as required by Ofwat to ensure that the annual performance report is prepared consistently and in line with the overall regulatory reporting framework.

² This is an accounting value which includes non-cash elements such as depreciation, indexation charges and movements in the fair value of financial instruments and as such does not reflect the Company's ongoing viability.



6. Data Assurance Processes

The Board is committed to providing information to customers and stakeholders that is customer-led, accessible, clear, accurate, transparent and timely and we were pleased to be recognised as a “self-assurance” Company by Ofwat in their Company Monitoring Framework (CMF) assessment in 2019. Our ongoing objective therefore, is to make available information that meets stakeholders’ needs, is easy to understand and navigate and which enables them to understand how we are performing. We also recognise that providing information to a consistently high standard helps build trust and confidence in everything we do. Ofwat has concluded in their CMF assessment report that we are able to deliver accurate and reliable information that gives stakeholders trust and confidence.

Our customers drive our thinking and our plans and we welcome the important contribution made by our independent Customer Challenge Group in challenging our customer engagement and research programme to ensure that we plan to deliver the best possible outcomes for customers. We have shared with the Chair of the Customer Challenge Group the content of this Annual Performance Report.

We produce extensive Company information obtained from measuring and recording what we do. Much of this is provided to our regulatory stakeholders and other stakeholder groups or published in our Annual Performance Report and on our website.

The Board has put in place an audit and assurance framework designed to allow the systematic monitoring and evaluation of the various aspects of our performance to ensure that standards of quality are being met. This involves having appropriate governance arrangements, close involvement by our Board in the assurance process, and the right level of independence in the process to provide third party review and challenge. This provides assurance to our Board, stakeholders and customers and gives legitimacy and certainty on the level of performance and service that we are delivering. This means that our statutory and regulatory reporting requirements are met in full with a high level of assurance.

We have prepared a stand-alone Data Assurance Summary which details the assurance activities relevant to this Annual Performance Report and other publications. This can be found at [Data Assurance Summary](#).



Appendix – ‘At a Glance’ – Schedule documenting where individual elements of this report can be found.

Individual elements of this report.	Annual Performance Report (APR)	Risk & Compliance Statement	Annual Report & Accounts	Data Assurance Summary	Accounting Methodology Statement
Please click on relevant Hyperlinks to open document.	Hyper link	Hyper link	Hyper link	Hyper link	Hyper link
Annual Performance Report – Parts 1, 2, 3 and 4. A report which provides specific information on progress on delivery of customer outcomes, service levels, transparent cost information and financial performance.	✓			✓	
A Risk and Compliance Statement. – Which confirms that the Board has: <ul style="list-style-type: none"> a full understanding of, and is meeting, all its relevant statutory, licence and regulatory obligations and has taken steps to understand and meet customer expectations; satisfied itself that it has sufficient processes and internal systems of control to fully meet its obligations; and appropriate systems and processes in place to allow it to identify, manage, mitigate and review its risks. 		✓			
A Data Assurance Summary. A standalone report that highlights the results of the data assurance that we have carried out to evidence that the information provided is accurate.				✓	
Company direction and performance A short annual statement explaining how we are delivering for everybody who depends on our services and how we have set our aspirations.	✓ Part 4, Page 107				
Board leadership, transparency and governance A demonstration through our annual reporting on how we are meeting our Board leadership and governance principles.			✓ Page 110	✓	
Confirmation that we have sufficient financial and management resources (licence condition I17).	✓ Part 1, Page 5	✓ Page 14			
Confirmation that there are sufficient rights and assets available to	✓	✓			



Annual Performance Report 2019/20

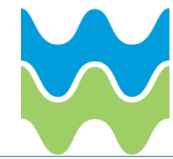
Individual elements of this report.	Annual Performance Report (APR)	Risk & Compliance Statement	Annual Report & Accounts	Data Assurance Summary	Accounting Methodology Statement
Please click on relevant Hyperlinks to open document.	Hyper link	Hyper link	Hyper link	Hyper link	Hyper link
enable a special administrator to run the business (licence condition K).	Part 1, page 4	Page 15			
Ensuring that trade with associates is at arm's length (licence condition I4 also condition F to comply with RAG5).	✓ Part 1, page 8 ✓ Part 4, page 85	✓ Page 16			
Maintaining an investment grade credit rating (licence condition I30).	✓ Part 1, page 7	✓ Page 15		✓ Page 32	
A statement explaining any links between Directors' pay and standards of performance (Section 35A Water Industry Act 1991).	✓ Part 1, page 3 ✓ Part 4, page 131	✓ Page 14	✓ Page 129		
Reporting <u>by exception</u> if delivery of outputs is materially different to our Final Determination (FD). This only applies to outputs not covered by the key indicators (for example, requirements to deliver specific schemes). ** We have no material differences to our FD on non-financial outputs.	✓ Part 2 **				
Ring-fencing certificate (licence condition I)	✓ Part 4, page 114				
Accounting Disclosures					
<ul style="list-style-type: none"> a statement which describes the link between directors' pay and standards of performance (as required by section 35A of the Water Industry Act 1991 (<i>inserted into that Act by section 50 of the Water Act 2003</i>) (RAG 3.11-section3.2) 	✓ Part 1, page3 ✓ Part 4, page131	✓ Page 14	✓ Page 129		
<ul style="list-style-type: none"> a statement as to disclosure of information to auditors (RAG 3.11 section 3.3) 	✓ Part 1, page 3	✓ Page 14	✓ Page 156		



Individual elements of this report.	Annual Performance Report (APR)	Risk & Compliance Statement	Annual Report & Accounts	Data Assurance Summary	Accounting Methodology Statement
Please click on relevant Hyperlinks to open document.	Hyper link	Hyper link	Hyper link	Hyper link	Hyper link
<ul style="list-style-type: none"> a statement on dividend policy for the appointed business (RAG 3.11 section 3.4) 	<u>✓</u> Part 1, page 3	<u>✓</u> Page 14	<u>✓</u> Page 154		
<ul style="list-style-type: none"> an accounting policy note for price control units (RAG 3.11 section 3.5) 	<u>✓</u> Part 2		<u>✓</u> Page 185		
<ul style="list-style-type: none"> a note on revenue recognition (RAG 3.11 section 3.6) 	<u>✓</u> Part 4, page 68		<u>✓</u> Page 177		
<ul style="list-style-type: none"> a note on capitalisation policy (RAG 3.11 section 3.7) 	<u>✓</u> Part 4, page 73				
<ul style="list-style-type: none"> a note on bad debt policy (RAG 3.11 section 3.8) 	<u>✓</u> Part 4, page 70				
<ul style="list-style-type: none"> a statement on sufficiency of non-financial resources (RAG 3.11 section 3.9) 	<u>✓</u> Part 1, page 4	<u>✓</u> Page 14			
<ul style="list-style-type: none"> a statement on sufficiency of financial resources and facilities (RAG 3.11 section 3.10) 	<u>✓</u> Part 1, page 5	<u>✓</u> Page 14	<u>✓</u> Page 123		
<ul style="list-style-type: none"> the tax strategy for the appointed business (RAG 3.11 section 3.11) 	<u>✓</u> Part 4, page 98		<u>✓</u> Page 66		
<ul style="list-style-type: none"> a statement on differences between statutory and RAG definitions (RAG 3.11 section 3.12) 	<u>✓</u> Part 4, page 81				
<ul style="list-style-type: none"> a long term viability statement (RAG 3.11 section 3.13) 	<u>✓</u> Part 4, page 101	<u>✓</u> Page 15	<u>✓</u> Page 78		
<ul style="list-style-type: none"> a statement explaining out/under performance of the return on regulatory equity (RORE) (RAG 3.11 section 3.14). 	<u>✓</u> Part 4, page 91				
Narrative disclosures					
<ul style="list-style-type: none"> <u>Outcomes</u> - narrative disclosures on performance (RAG 3.11 section 4.1) 	<u>✓</u> Part 3				



Individual elements of this report.	Annual Performance Report (APR)	Risk & Compliance Statement	Annual Report & Accounts	Data Assurance Summary	Accounting Methodology Statement
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<ul style="list-style-type: none"> <u>Totex</u> - narrative disclosures on any difference between the actual and allowed totex values (RAG 3.11 section 4.2) 	√ Part 2, page 3				
<ul style="list-style-type: none"> <u>Retail</u> – Commentary on material differences between values reported in table 2C line 12 (total operating costs) of pro forma 2C and retail revenues allowed in the FD 2015-20. (RAG 3.11 section 4.3) 	√ Part 2, page 4				
<ul style="list-style-type: none"> <u>Wholesale revenue control reconciliation</u> – Commentary on differences reported in table 2I line 26 between allowed and actual revenue under the wholesale control. RAG 3.11 section 4.4) 	√ Part 2, page 9				
<ul style="list-style-type: none"> <u>Current tax reconciliation</u> - a reconciliation of the appointed current tax charge (RAG 3.11 section 4.5) 	√ Part 4, page 94				
<ul style="list-style-type: none"> Financial flows – completion of APR table 1F and supporting commentary (RAG 3.11 section 4.6) 	√ Part 1, pages 25-44				
<ul style="list-style-type: none"> New Connections – a statement explaining the variance between revenues and costs (RAG 3.11 section 4.7) 	√ Part 2, page 14				
<ul style="list-style-type: none"> an Accounting Methodology Statement (RAG 3.11 appendix 2). 					√
Financial metrics A set of financial metrics all companies report on and which provides enhanced visibility of company financing and capital structures. Relevant data is set out in APR tables 4H to 4I and can be found in APR part 4.	√ Part 4, pages 16-17				
Transparency of financial flows A clear comparison in the APR between the financial flows to investors on the basis of the actual capital structures of water companies and what they would have been under Ofwat’s notional structure	√ Part 1, pages 25-44				



Annual Performance Report 2019/20

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Assurance and monitoring We have implemented assurance procedures to ensure we meet all of our legal and regulatory obligations. Audit opinion provided which is consistent with the required wording of the audit opinion that Ofwat expects all auditors to provide on the APR for 2019/20.	✓ Overview, page 14 ✓ Part 3, page 54 and Appendix 1 ✓ Part 1, page 10	✓ Appendix A	✓ Page 70	✓ Page 4	
IFRS16 – leasing			✓ Page 156		
Leakage and per capita consumption Shadow reporting commentary submitted to Ofwat.					
SIM Proxy	✓ Part 3, page 20				
Shadow year reporting for C-Mex and D-MeX	✓ Part 3, pages 46,47				
Reporting transition expenditure in Table 4B	✓ Part 4, page 4				
Bioresource market information.					
Publication of our bioresources market information on our website.	Hyperlink to the bioresources market information			✓ Page 17	
PR19 Blind year reconciliation of PR14 incentive mechanisms					
	Hyperlink to reconciliation				

Please also see 'Our Assurance Framework' webpage where all the Annual Performance Reports for the last three years are listed along with our Final Assurance Plan. [Hyperlink to Our Assurance Framework](#).