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Glas Cymru Holdings Cyf

Interim report and accounts

for the six months ended 30 September 2019

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Chief Executive's statement

As a not-for-profit company, our only concern is providing high quality services to our customers, at the most affordable cost. The first six months of the year show that the company is in a strong financial and operational position to achieve this.

Our Regulator, Ofwat, will be setting price controls for 2020-2025 very shortly and it is very clear that this will be a very challenging period, both for the company and the whole water industry. We have set out an ambitious plan with record investment in our services and in protecting the environment, while also continuing to bear down on customer bills, building on our record of maintaining prices at, or below, the rate of RPI inflation in every year for the past decade. Whatever the Final Determination from Ofwat, all of us at Welsh Water will need to continue to focus hard on service performance, cost efficiency and innovation, in order to meet the challenges of the next five years.

Our Welsh Water 2050 strategy, on which we consulted widely with customers, addressed the long-term challenges we will face in safeguarding the strong progress we have made in operational performance in recent years and to improve the resilience of our network in the face of climate change and population growth. It is essential we use innovation and emerging technology to ensure we meet our long-term ambitions, such as to further reduce our carbon footprint. Already, around a quarter of our energy needs are met through our own on-site renewable generation and it is a great source of pride for the company that, over the past decade, we have reduced our operational carbon footprint by nearly 80% – reflecting our deep commitment to promoting the well-being of future generations.

After the severe weather events of 2018, the first six months of this year have also proved challenging for teams across the business – but in a different sense. The process for exiting the European Union has created uncertainty for water companies across the country. We have been working for a number of months to prepare for all foreseeable eventualities – and it is testament to that preparatory work that the company, and our wider sector, are among the most prepared for whatever transpires.

The first six months has maintained the healthy position the company has achieved after two decades of prudent financial management. From that perspective, we have reduced our regulatory gearing from 93% in 2001 to below 60% today, with the company enjoying the best credit ratings in the industry, albeit with negative outlooks due to the impending regulatory challenges post-2020. We have delivered continued, high levels of capital investment (which includes maintenance spending) with £218 million in the six months to September, and our water and wastewater operational performance has remained strong overall during that period. Our customer service also continues to be highly valued by our household and business customers, with the Consumer Council for Water reporting earlier this year that we remain the most trusted water and sewerage company among household customers, with the highest satisfaction ratings. Our top priority will be to sustain this in the years to come.

We also place great importance on supporting those most in need of help paying their bills. In June, we announced £12 million of support this year to our social tariffs programme, funded from our profits, to ensure those in need of financial help get it: currently almost 130,000 customers receive some form of financial support. We are also redoubling our efforts to provide a better service to those customers in vulnerable circumstances, working in co-operation with other local utility companies to achieve this.

I announced in July that I will be retiring from the post of Chief Executive after more than six years. It is nearly 20 years since Nigel Annett and I formed Glas Cymru with the purpose of acquiring Welsh Water and running it as the first not-for-profit water company in England and Wales. It has been a privilege to be involved in such a pioneering endeavour. Our unique way of working not only puts customers at the heart of everything we do, but has also meant that we are able to share the benefits of this approach directly with customers. As such, we have been able to reinvest more than £400 million of customer "dividends" in projects that directly benefit customers – which in other companies would have been paid out to shareholders. It has also become increasingly clear to me that working for a company with a strong sense of purpose – to do a better job for our customers, our communities and our environment – is a great motivation for my fantastic colleagues at Welsh Water, who deliver that best in class service to our customers.

I wish them all, and especially my successor Peter Perry, the very best of luck in the future.

C.A. Jones

Chris Jones,
Chief Executive, Welsh Water
7 November 2019

Performance overview

Note: references to Glas Cymru and the Group in this document refer, respectively, to Glas Cymru Holdings Cyfyngedig and the group of companies of which it is the parent; references to Welsh Water relate to Dŵr Cymru Cyfyngedig, the main operating company in the Group.

(1) Financial overview / An efficient business

Welsh Water is continuing to deliver its AMP6 financial pledge to make substantial levels of capital investment whilst also reducing the average household customer bill in real terms: we can do this by making continued efficiency improvements in the way we operate and finance the business. In the six months to 30 September 2019:

- our revenue rose slightly to £398 million (2018: £393 million), reflecting increases in overall prices and in customer consumption.
- operating expenditure (excluding depreciation and infrastructure renewals expenditure) has fallen by nearly 5% to £159 million. (2018: £166 million) – mainly reflecting the impact in 2018 of significant costs associated with a number of extreme weather events.
- net interest payable in the period (excluding fair value movements of derivatives) remained stable at £66 million (2018: £66 million).
- net capital investment (including maintenance spending, a different definition of investment to that used in the interim financial statements) remained stable at £218 million (2018: £219 million), continuing our record-high investment programme to ensure improvements to customer service and improvements to the environment. We expect to invest around £226 million in the coming six months.
- the underlying loss (excluding fair value movements) was £27 million (2018: loss of £28 million), which reflects higher revenue and an overall reduction in operating expenditure, particularly compared with the costs of mitigating extreme weather events in the same period last year . These improvements are offset by an increased depreciation charge reflecting the completion of schemes as the end of AMP6 approaches.
- the fair value liability of the company's interest rate and energy price swaps has increased by £92 million to £518 million, compared to 2018 (£426 million). This is driven by financial market movements – and this type of fluctuation is not uncommon. If held to maturity, which is the company's intention, the fair value of these instruments will be zero. After allowing for this (non-cash) movement, the Group reported a total loss before tax of £119 million. (2018: loss of £35 million).
- the PR19 process and anticipated cost challenges have resulted in Standard and Poor's, Moody's and Fitch assigning negative outlook to our credit ratings, while retaining the ratings of A/A2/A respectively to reflect the Group's creditworthiness and prudent financial position.
- as at 30 September 2019, Glas Cymru had cash, short-term deposits and undrawn syndicated bank facilities of £464 million (2018: £655 million), giving the Group a high level of financial liquidity.
- our regulatory gearing has reduced slightly to 58.4% since March 2019 (58.5%), but remains broadly stable and below the guidance level set by the Glas Cymru board of 60%. This is in line with the long-term trend of deleveraging from 93% on the acquisition of Welsh Water in May 2001.

(2) Excellent customer service

In the first six months of the financial year:

- Consumer Council for Water (CCWater) research (July 2019) confirmed a 94% customer satisfaction rate with our water services (compared to an industry average of 90%) and 90% with our sewerage services (compared to an industry average of 85%) – the highest overall in the industry in England and Wales, with Welsh Water achieving the highest Net Promoter Score in the industry at 44 and the highest level of trust of any water and sewerage company at 8.20.
- CCWater also published its biannual study into the views of business customers in April 2019. This showed higher levels of trust and satisfaction in Wales than for customers in England, continuing a trend showing a widening lead in this area against the rest of the sector.
- we are also currently ranked in top position overall for Ofwat's new customer satisfaction survey (C- MeX) amongst all water companies in England and Wales after the first quarter of the "shadow year" operation with a score of 82.7.
- we have continued to reduce the number of written complaints from customers. As a result, complaints from both household and non-household customers have fallen by 38% to 1,364 in the six months to September 2019, compared to 2,184 in 2018.
- Our financial support for disadvantaged customers also continues to lead the industry in England and Wales, with around 130,000 customers now supported by one of our social tariffs to help those genuinely in need of support to pay their bills.

Performance overview (continued)

(3) High quality drinking water

Between January and September 2019 (with exception of Leakage and Customer Minutes Lost which are reported on a financial half year basis):

- overall compliance with water quality standards remains high at 99.97% (2018: 99.98%).
- reducing the disruption of interruptions to customer supply is a key priority for the business, and we have seen a significant reduction in the "Customer Minutes Lost" measure which monitors this. In the first six months of the year, we have seen a reduction to 5.61 minutes, compared to 8.54 minutes in 2018.
- we have invested significant amounts in detecting and repairing leaks quickly to reduce wastage on our network, and this has meant we have nearly halved leakage levels over the past two decades. However, we continue to focus on reducing this level - and our leakage level is better than target at 166 megalitres per day (2018: 169 megalitres).
- the level of customer contacts regarding discolouration or taste issues has decreased to 1.9 per 1,000 customers (2018: 2.4). We are seeking to reduce this level further through innovative and targeted water mains replacement and cleansing activities.
- we have continued with our 'PestSmart' initiative, which promotes the safe use, storage and disposal of pesticides to improve conditions in water catchments. This is a project supported by £1 million of Welsh Government and EU funding. Due to demand, we extended the window for applications to the scheme until October 2019.

(4) Protecting the environment

Between April and September 2019:

- we delivered good overall wastewater treatment works performance, despite a small drop compared to last year: 99.1% of works fully complied with discharge permits (2018: 99.6%)
- the overall number of pollution incidents remained broadly stable at 107 (2018:102) and internal sewer flooding incidents – the worst service failing for our customers – have also remained broadly stable at 109 compared to the same time last year (2018:112), albeit worsened by wet periods during the summer. We will continue to encourage behavioural change among customers through our Let's Stop the Block campaign to reduce sewer blockages, and ensure that our own self-reporting of incidents of suspected pollution is of the utmost priority.
- in July, we completed a £2 million project in Mermaid Quay, Cardiff, to tackle large blockages in the sewer caused mainly by the build-up of fat, oil and grease and other items being illegally put into the sewer. This involved repairing and replacing the Victorian sewer which ran under Stuart Street and Bute Street, a popular commercial area.
- in order to increase sewer capacity around the River Dee, and to reduce incidences of releases from combined sewer overflows, we will be investing £5 million in the network around Chester.
- in July, we faced a court hearing following the 2018 pollution incident at Felindre Water Treatment Works. This resulted in a £40,000 fine. However, the District Judge took account of our self-reporting of the incident, as well as our quick response. We took immediate steps to reduce the likelihood of any repeat incidents of this nature.
- a total of 40 Blue Flags, which reflect enhanced bathing water quality, were awarded to beaches across Wales in 2019 (2018: 43) - Wales has more Blue Flags per mile of coastline than anywhere else in the UK.

(5) Responding to climate change

Between April and September 2019:

- as a result of our commitment to expand our use of renewable energy and energy-efficient technology, as well as a policy of buying only renewable energy, we have reduced our operational carbon emissions by nearly 80% in the last decade, which has contributed hugely to reducing our overall carbon footprint and energy costs.
- this milestone was marked by a visit of the First Minister, Mark Drakeford, to our Five Fords energy plant in Wrexham in May after its £38 million investment programme. This included a tour of the new advanced anaerobic digestion (AAD) facility under construction at the site.
- Welsh Water is leading the industry in reducing its operational carbon emissions for both water and waste - reaching 13 kgCO2e per megalitre for water and 83 kgCO2e per megalitre for waste, the best-performing company in England and Wales and substantially below the levels of the majority of other water and water/sewerage companies. This trend is extremely encouraging as we work towards becoming 100% self-sufficient (energy neutral) with renewable energy.
- in progressing towards this target and to tackle climate change we currently invest in renewable energy generation technologies such as bio-methane derived from sewage sludge, hydro turbines, and solar photovoltaics, to power around 25% of our current energy needs. This is planned to increase to 35% by 2025.
- we continue to build on the success of the £114 million "RainScape" project in Llanelli, and the £2 million Greener Grangetown project in Cardiff to catch, clean and divert rainwater away from the sewer network and directly into local rivers.

Performance overview (continued)

(6) Affordable bills

We are determined to provide the best possible service at an affordable price. In the first six months of 2019:

- our annual price increase in 2018-19 saw bills held at the Retail Prices Index (RPI) measure of inflation or lower for the 10th consecutive year, ensuring we met our commitment in 2010 to hold price increases at, or below inflation in every year for the coming decade.
- as part of our commitment to our lowest-earning customers, we committed to invest an extra £12 million this year in social tariffs as part of our "customer dividend" investment announcement.
- we now help fund lower prices for around 130,000 customers who genuinely struggle to pay their water bills – having overtaken our aim to help 100,000 customers by 2020 two years early and building on last year's industry-leading performance (2018: 118,000).
- in order to ensure fairness for all of our customers, we continue to increase our efforts to ensure those that can pay their water bill, but choose not to, are pursued through our robust procedures for collecting debt.

(7) Looking after our assets

As part of our work over the past six months, we have progressed key investment schemes including:

- **Cog Moors (Barry)** – £48 million to boost the amount of green energy produced at the wastewater treatment works in the Vale of Glamorgan. The additional energy will be the equivalent of what is used to power around 4,000 homes per year
- **Bodelwyddan (Denbighshire)** – £7 million investment in the water network in the area to safeguard drinking water quality – with over 11km of old pipe replaced with new water pipes.
- **Hook & Johnston (Carmarthen)** – £8.5 million in a new wastewater treatment works and pumping station which will further protect the environment, reduce flooding and improve river water quality in the area.
- **Dolgarrog (Conwy Valley)** – £31 million to improve the water cleaning process at Bryn Cowlyd water treatment works which serves over 45,000 homes and businesses in the Conwy Valley area.
- **Prioress Mill (Usk)** – £23 million investment to replace the old pumping station at Prioress Mill with a brand new one, which will ensure around 600,000 customers continue to receive a top quality drinking water supply.

(8) Developing our people

Developing our people, and ensuring they remain safe, healthy and happy each day, are among the most important things we do. With around 3,500 employees, we are one of Wales' biggest employers – and our colleagues work in the heart of the communities we serve and act as our ambassadors to our customers. They are key to ensuring that we deliver the best service possible, and in the way that our customers expect.

Between April and September 2019:

- we were awarded the Investors in People Gold accreditation, which recognises companies for their efforts to create a good working environment and invest in their employees.
- we have maintained a strong performance of RIDDOR injuries (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations), remaining steady at three so far this year, compared to three in the same period of 2018. This reflects our continued focus on a company-wide culture for health and safety, including training days and Executive-led Safety Days to reinforce our STEP (Safety Takes Every Person) and TAKE 5 culture across the business.
- as part of our continued focus on the safety and wellbeing of our colleagues, we held our 13th annual Health and Safety conference with 300 colleagues and contractors attending.
- our health and safety culture has been recognised externally. In addition to the platinum award for the Welsh Government's Corporate Health Standard, we have received a Gold Award from the Royal Society for the Prevention of Accidents (RoSPA), in recognition of our commitment to continuous improvement in health and safety.

Key performance measures

To measure performance, the Glas Cymru Board set key performance measures, or "Measures of Success", that are based on, and improve on, sector benchmarks to judge where we stand compared with the best performers in the sector.

Measures of Success	30 Sept 2019	30 Sept 2018	2019/20 Targets	Better or worse than last year
A1a Safety of drinking water *(% compliance)* *	99.97%	99.98%	99.99%	✗
A1b Safety of drinking water *(% Mean zonal compliance)* *	99.93%	99.96%	99.98%	✗
A2 Customer acceptability *(contacts per 1,000 population)* *	1.92	2.40	2.40	✓
A3 Reliability of supply	5.61	8.54	12.0	✓
B1 Abstraction for water for use	100%	100%	100%	=
B2 Treating wastewater*	99.11%	99.64%	99.25%	✗
B3a Preventing pollutions (cat 1,2&3) *	107	102	112	✗
B3b Preventing pollutions (cat 3 only) *	102	98	112	✗
C1 Responding to climate change *(surface water removal)*	15,967	15,099	25,000	✓
C2 Carbon footprint (renewable energy generation)	54.68	38.46	125.30	✓
C-MeX (customer services) **	82.71		84	N/A
D2 At risk customers *(Water/ Wastewater)*	406	444	425	✓
D3 Properties flooded in the year	109	112	222	✓
External sewer flooding properties	2,917	2,523	5,500	✗
D4a Business customer satisfaction	90.32%	88.66%	88%	✓
D4b Non household customer satisfaction *(Retail)*	88.54%	87%	90%	✓
D5 Earning the trust of customers (%)	85%	85%	85%	=
E1 Affordable bills (% below inflation)	1% below Inflation	1% below inflation	1% below Inflation	=
E2 Help for disadvantaged customers *(Retail)*	125,706	113,325	100,000	✓
F1 Asset serviceability (*scorecard*)	Stable(x4)	Stable(x4)	Stable(x4)	=
F2 Leakage (megalitres per day)	165.73	168.83	169.4	✓
F3 Asset resilience (*Water /Wastewater*)	90.2% 79%	90.5% 77.5%	87% 78%	✗ ✓
G1 RIDDOR *(reportable injuries)*	3	3	10	=
G2 Competence for role *(%)*	85%	83%	95%	✓
H2 Financing efficiency *(credit rating)* ***	A(neg)/A2(neg)/A(neg)	A(neg)/A2(neg)/A	A/A3/A***	✗

* Measured from the start of the calendar year (January to September 2019). All other measures are measured from the start of the financial year (April to September 2019).

**C-MeX targets were agreed before the Ofwat methodology was finalized. C-MeX replaces SIM in 2019/20.

*** H2 Financing Efficiency target as per the 2015 Business Plan submission

A definition of each Measure of Success can be found in the appendix on page 23.

Statement of Directors' responsibilities and other matters

The Directors have voluntarily complied with the Disclosure and Transparency Rules. The Group, including Dŵr Cymru Cyfyngedig, is required under its Licence Condition F to publish information about its interim results as if it was subject to the Listing Rules of the Financial Conduct Authority.

Responsibility statement of the Directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU
- the interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure and Transparency Rules being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year that have materially affected the financial position or performance of the entity during that period and any changes in the related party transactions described in the last annual report that could do so.

Directors

The following Directors are responsible for the preparation of this half-yearly report:

Peter Bridgewater (Finance and Commercial Director)
Tom Crick (Non-Executive Director)
Graham Edwards (Non-Executive Director)
Chris Jones (Chief Executive Officer)
Joanne Kenrick (Non-Executive Director)
Alastair Lyons (Chairman)
Pete Perry (Managing Director)
Menna Richards (Non-Executive Director)
Anna Walker (Non-Executive Director)
John Warren (Non-Executive Director)

No appointments or resignations have been effected during the period.

Principal risks and uncertainties

The principal risks and uncertainties affecting the Group for the six months to 30 September 2019 are materially unchanged from those presented on pages 48 to 51 of the Group's published Annual Report and Accounts for the year ended 31 March 2019. The Annual Report and Accounts are published on the Group's website, www.dwrcymru.com, and are available from the Company Secretary on request. These key risks faced by the Group are as follows: health and safety major incident; major public health incident; failure to achieve required performance levels and efficiencies during the period 2015-2020; major supply failure; loss of key talent, capability and competence; ICT risk; tough regulatory settlement post 2020; uncertainty following Brexit and failure to earn the trust and confidence of our customers.

Statement of Directors' responsibilities and other matters (continued)

Going concern

The Directors have a reasonable expectation that the Group has adequate resources available to it to continue in operational existence for the foreseeable future which exceeds twelve months from signing these interim statements and have therefore continued to adopt the going concern basis in preparing the condensed consolidated interim financial statements. This conclusion is based upon, amongst other matters, a review of the Group's financial projections together with a review of the cash and committed borrowing facilities available to the Group as well as consideration of the Group's capital adequacy. In addition, the Directors also took into account the primary legal duty of Welsh Water's economic regulator, to ensure that the operating company can finance its functions.

By order of the Board

NWilliams.

Nicola Williams
Company Secretary
7 November 2019

Consolidated interim income statement

	Note	Six months ended 30 September 2019 (unaudited) £m	Six months ended 30 September 2018 (unaudited) £m	Year ended 31 March 2019 (audited) £m
Revenue	*2*	**397.8**	393.1	781.6
Operating costs				
- Operational expenditure		**(158.7)**	(166.4)	(336.0)
- Infrastructure renewals expenditure		**(45.3)**	(45.4)	(83.9)
- Depreciation and amortisation		**(154.9)**	(143.3)	(292.8)
Operating profit		**38.9**	38.0	68.9
Financial expenses				
- Financial income	*3*	**3.2**	2.5	5.0
- Financial expenses	*3*	**(69.5)**	(68.9)	(168.6)
- Fair value losses on derivative financial instruments	*3*	**(91.9)**	(6.7)	(29.2)
		(158.2)	(73.1)	(192.8)
Loss before taxation		**(119.3)**	(35.1)	(123.9)
Taxation	*4*	**19.9**	5.9	20.8
Loss for the period		**(99.4)**	(29.2)	(103.1)

Underlying loss				
Loss before taxation per income statement		**(119.3)**	(35.1)	(123.9)
Adjustment for:				
- Fair value losses on derivative financial instruments	*3*	**91.9**	6.7	29.2
Underlying loss for the period		**(27.4)**	(28.4)	(94.7)

The notes on pages 14 to 21 are an integral part of these condensed consolidated interim financial statements.

Consolidated interim statement of comprehensive income

	Note	Six months ended 30 September 2019 (unaudited) £m	Six months ended 30 September 2018 (unaudited) £m	Year ended 31 March 2019 (audited) £m
Loss for the period		**(99.4)**	(29.2)	(103.1)
Items that will not be reclassified to profit or loss:				
Actuarial (loss)/gain recognised in the pension scheme		**(28.0)**	14.6	(19.9)
Related deferred tax	*4*	**4.7**	(2.9)	2.6
Revaluation of property, plant and equipment	*5*	**82.0**	119.2	132.2
Related deferred tax	*4*	**(13.9)**	(20.2)	(22.5)
Total items that will not be reclassified to profit or loss		**44.8**	110.7	92.4
Total comprehensive (expense)/income for the period		**(54.6)**	81.5	(10.7)

The notes on pages 14 to 21 are an integral part of these condensed consolidated interim financial statements.

Consolidated interim balance sheet

	Note	At 30 September 2019 (unaudited) £m	At 30 September 2018 (unaudited) £m	At 31 March 2019 (audited) £m
Assets				
Non-current assets				
Property, plant and equipment	*6*	**5,656.1**	5,478.7	5,536.7
Intangible assets		**181.5**	153.5	175.1
Trade and other receivables	*7*	**0.9**	0.9	0.9
Other financial assets: derivative financial instruments		**5.1**	5.9	3.8
		5,843.6	5,639.0	5,716.5
Current assets				
Inventories		**3.8**	3.2	4.0
Trade and other receivables	*7*	**415.9**	404.7	573.5
Cash and cash equivalents		**298.2**	234.5	501.1
Other financial assets: derivative financial instruments		**6.7**	9.0	4.6
		724.6	651.4	1,083.2
Total assets		**6,568.2**	6,290.4	6,799.7
Liabilities				
Current liabilities				
Trade and other payables	*8*	**(373.7)**	(381.5)	(558.2)
Provisions		**(2.3)**	(2.4)	(4.0)
Other financial liabilities:				
- borrowings		**(92.1)**	(70.1)	(195.4)
- derivative financial instruments		**(27.9)**	(31.1)	(27.7)
		(496.0)	(485.1)	(785.3)
Net current assets		**228.6**	166.3	297.9
Non-current liabilities				
Trade and other payables	*8*	**(281.3)**	(249.6)	(264.7)
Employee benefits		**(124.1)**	(63.2)	(96.2)
Provisions		**(2.9)**	(5.8)	(2.6)
Other financial liabilities:				
- borrowings		**(3,553.3)**	(3,316.0)	(3,570.3)
- derivative financial instruments		**(502.0)**	(387.6)	(406.9)
Deferred tax (net)		**(429.6)**	(457.3)	(440.1)
		(4,893.2)	(4,479.5)	(4,780.8)
Total liabilities		**(5,389.2)**	(4,964.6)	(5,566.1)
Net assets		**1,179.0**	1,325.8	1,233.6
Reserves		**1,179.0**	1,325.8	1,233.6

The condensed consolidated interim financial statements on pages 9 to 21 were approved by the Board of Directors on 7 November 2019 and were signed on its behalf by:

Chris Jones
Chief Executive Officer

Peter Bridgewater
Finance and Commercial Director

Consolidated interim statement of changes in reserves

	Note	Six months ended 30 September 2019 (unaudited) Revaluation reserve £m	Six months ended 30 September 2019 (unaudited) Retained earnings £m	**Six months ended 30 September 2019 (unaudited) Total £m**	**Six months ended 30 September 2018 (unaudited) Total £m**	**Year ended 31 March 2019 (audited) Total £m**
Reserves at start of period		1,189.5	44.1	**1,233.6**	1,244.3	1,244.3
Loss for the period		-	(99.4)	**(99.4)**	(29.2)	(103.1)
Actuarial (loss)/gain net of tax		-	(23.3)	**(23.3)**	11.7	(17.3)
Revaluation net of tax	*5*	68.1	-	**68.1**	99.0	109.7
Transfer to retained earnings	*5*	(32.9)	32.9	**-**	-	-
Reserves at end of period		1,224.7	(45.7)	**1,179.0**	1,325.8	1,233.6

The notes on pages 14 to 21 are an integral part of these condensed consolidated interim financial statements.

Consolidated interim statement of cash flows

	Six months ended 30 September 2019 (unaudited) £m	Six months ended 30 September 2018 (unaudited) £m	Year ended 31 March 2019 (audited) £m
Cash flow from operating activities			
Loss for the period	**(99.4)**	(29.2)	(103.1)
Adjustments for			
- Depreciation and amortisation	**154.9**	144.1	292.8
- Net finance cost	**158.2**	73.1	192.8
- Net tax credit	**(19.9)**	(5.9)	(20.8)
Changes in working capital			
- Decrease/ (increase) in inventories	**0.2**	-	(0.8)
- Decrease/(increase) in trade and other receivables	**155.5**	173.0	(2.7)
- (Decrease)/increase in trade and other payables	**(176.8)**	(167.3)	11.8
- Pension contributions above service cost	**(2.3)**	(3.6)	(6.7)
- Decrease in provisions	**(1.4)**	(0.7)	(2.3)
Cash generated from operating activities	**169.0**	183.5	361.0
Interest paid	**(32.9)**	(31.2)	(132.7)
Income tax received	**2.2**	0.5	0.5
Net cash flow from operating activities	**138.3**	152.8	228.8
Cash flow from investing activities			
Interest received	**3.2**	2.5	4.9
Purchase of property, plant and equipment	**(175.5)**	(182.4)	(354.5)
Purchase of intangible assets	**(16.1)**	(17.2)	(48.5)
Proceeds from sale of plant and equipment	**0.3**	-	0.9
Grants and contributions received	**10.4**	8.8	19.3
Net cash flow from investing activities	**(177.7)**	(188.3)	(377.9)
Net cash flow before financing activities	**(39.4)**	(35.5)	(149.1)
Cash flow from financing activities			
Long-term loans received	**-**	-	250.0
Increase in borrowings	-	-	134.2
Repayment of borrowings	**(135.2)**	(5.1)	-
Term loan repayments	**(17.2)**	(13.3)	(21.6)
Finance lease principal payments	**(11.1)**	-	(0.9)
Other loan repayments	**-**	(0.1)	-
Net cash flow from financing activities	**(163.5)**	(18.5)	361.7
Net (decrease)/increase in cash and cash equivalents	**(202.9)**	(54.0)	212.6
Cash and cash equivalents at start of period	**501.1**	288.5	288.5
Cash and cash equivalents at end of period	**298.2**	234.5	501.1

The notes on pages 14 to 21 are an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

1. Basis of preparation

Glas Cymru Holdings Cyfyngedig (the Company) is a company domiciled in England and Wales. These condensed consolidated interim financial statements for the six months ended 30 September 2019 comprise the Company and its subsidiaries (together referred to as the Group). The Group's principal activity is the operation of a water and sewerage services business in the UK.

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group's last annual consolidated financial statements for the year ended 31 March 2019. They do not include all of the information required for a complete set of IFRS financial statements, however selected explanatory notes are included to explain items that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

The principal accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with the published Annual Report and Accounts for the year ended 31 March 2019, with the exception of the following standards which are effective for accounting periods beginning on or after 1 January 2019; these standards have been applied in the interim financial statements and will be reflected in the Group's annual consolidated financial statements for the year ending 31 March 2020:

IFRS 16 Leases

IFRS16 revises the treatment of leases in financial statements and largely eliminates the accounting distinction between operating and finance leases. The Directors have assessed the impact of adopting IFRS 16 and have used the modified retrospective approach on first time adoption, and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. This has resulted in the recognition of a £1.4m right-of-use asset and associated finance lease liability. The Group presents right-of-use assets that do not meet the definition of investment property in property, plant and equipment and lease liabilities in borrowings in the balance sheet. The Group, applying the practical expedients on a lease-by-lease basis to its portfolio of leases, has elected not to recognise the right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group has also elected to apply a single discount rate to the portfolio of leases that are deemed to have reasonably similar characteristics as well as exclude any initial direct costs in the measurement of the right-of-use asset.

IFRS 16 'Leases' Accounting policy

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payment arising from a change in an index or rate, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Annual Report and Accounts are published on the Group's website www.dwrcymru.com and are available from the Company Secretary on request.

These condensed consolidated interim financial statements are unaudited. The interim financial results do not comprise the Group's statutory accounts within the meaning of Section 434 of the Companies Act 2006. The comparative figures for the financial year ended 31 March 2019 are not the Group's statutory accounts for that financial year. Those accounts have been reported on by the Group's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. No events or transactions took place during the current interim period which are material to one's understanding of these financial statements.

The Company is limited by guarantee and does not have any share capital. In the event of the Company being wound up, the liability of its members is limited to £1 each.

Notes to the condensed consolidated interim financial statements

1. Basis of preparation (continued)

Estimates and judgements

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenditure. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period were the same as those that applied to the consolidated financial statements for the year ended 31 March 2019. The significant judgements and estimates relate to the provision for impairment of trade receivables, pension benefits, fair value estimation and capitalisation with the exception of changes in estimates that are required in determining the provision for income taxes. Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings. The Group has reviewed assets held for any indications of impairment and, none having been noted, has not performed a full impairment review.

Going concern

The Group meets its day-to-day working capital requirement through its bank facilities. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that it should be able to operate within its current facilities. After making enquires, the Directors have a reasonable expectation that the Group has adequate resources to continue operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

2. Segmental information

The Directors consider that there is only one operating segment, being the operation of water and sewerage business (and peripheral commercial activities) in the UK. As the Group has only domestic activities there is also only one geographical segment; therefore, the disclosures for this segment have also already been given in these financial statements. Whilst the Group operates in a single segment, its activities can be disaggregated into the following principal income streams:

	Six months ended 30 September 2019 (unaudited) £m	Six months ended 30 September 2018 (unaudited) £m	Year ended 31 March 2019 (audited) £m
Regulated revenue			
Water	**163.5**	161.3	320.9
Sewerage	**206.6**	200.4	399.9
Retail	**23.3**	27.3	52.7
Total regulated revenue	**393.4**	389.0	773.5
Other (non-regulated)	**4.4**	4.1	8.1
Total revenue	**397.8**	393.1	781.6

Regulated revenue relates to the provision of water, sewerage and related retail services operating under Dŵr Cymru Cyfyngedig's licence as part of the water industry in England and Wales, regulated by The Office of Water Trading (Ofwat). Other (non-regulated) revenue relates to income streams which are not subject to Ofwat's price control; these principally comprise organic energy generation and certain other activities which are peripheral and/or complementary to the Group's core water and sewerage business.

Notes to the condensed consolidated interim financial statements

3. Financial expenses

a) Financial expenses before fair value adjustments	**Six months ended 30 September 2019 (unaudited) £m**	**Six months ended 30 September 2018 (unaudited) £m**	**Year ended 31 March 2019 (audited) £m**
Financial income	**3.2**	2.5	5.0
Financial expenses			
Interest payable on bonds	**(48.3)**	(47.7)	(94.5)
Indexation on index-linked bonds	**(8.2)**	(13.7)	(39.1)
Indexation on index-linked loan	**(4.6)**	(4.0)	(6.5)
Interest payable on finance leases	**(4.2)**	(2.0)	(17.6)
Other loan interest	**(7.3)**	(6.6)	(19.1)
Other interest payable and finance costs	**(3.2)**	(3.0)	(5.7)
Net interest charge on pension scheme liabilities	**(1.2)**	(1.0)	(2.0)
Capitalisation of borrowing costs under IAS 23	**7.5**	9.1	15.9
	(69.5)	(68.9)	(168.6)
Net financial expenses before fair value adjustments	**(66.3)**	(66.4)	(163.6)

b) Fair value losses on derivative financial instruments	**Six months ended 30 September 2019 (unaudited) £m**	**Six months ended 30 September 2018 (unaudited) £m**	**Year ended 31 March 2019 (audited) £m**
Fair value (losses)/gains on interest rate swaps	**(12.6)**	5.3	(1.3)
Fair value losses on index-linked swaps	**(83.3)**	(18.8)	(27.4)
Fair value gains/(losses) on trading derivatives	**4.0**	6.8	(0.5)
Total fair value losses on derivative financial instruments	**(91.9)**	(6.7)	(29.2)

Whilst the Group employs an economically effective policy using interest rate and index-linked swaps, the hedge accounting criteria of IFRS 9 are not satisfied. Consequently, the Group's interest rate and index-linked swaps are fair valued at each balance sheet date with the movement (net gain or loss) disclosed in the income statement. If held to maturity, which is the company's intention, the fair value of these instruments will be zero. The notional value of the interest rate swap is £192m (March 2019: £192m) and the notional value of the index-linked swaps is £601m (March 2019: £618m).

4. Taxation

	Six months ended 30 September 2019 (unaudited) £m	**Six months ended 30 September 2018 (unaudited) £m**	**Year ended 31 March 2019 (audited) £m**
Current tax			
Current tax on profits for the year	**0.2**	-	0.3
Current tax on research and development credit	-	-	(0.1)
Adjustment in respect of prior periods	-	(0.9)	(0.4)
	0.2	(0.9)	(0.2)

4. Taxation (continued)

	Six months ended 30 September 2019 (unaudited) £m	Six months ended 30 September 2018 (unaudited) £m	Year ended 31 March 2019 (audited) £m
Deferred tax			
Origination and reversal of timing differences	**19.7**	5.9	20.4
Adjustment in respect of prior periods	**-**	0.9	0.6
	19.7	6.8	21.0
Taxation	**19.9**	5.9	20.8

Analysis of amounts charged to the Statement of Comprehensive Income and Revaluation Reserve	Six months ended 30 September 2019 (unaudited) £m	Six months ended 30 September 2018 (unaudited) £m	Year ended 31 March 2019 (audited) £m
Defined benefit pension scheme	**(4.8)**	2.5	(3.4)
Reallocation of tax from income statement – pension payments in excess of service charge	**0.1**	0.4	0.8
(Credited)/charged to the statement of comprehensive income	**(4.7)**	2.9	(2.6)
Revaluation of fixed assets	**13.9**	20.2	22.5
Charged to the revaluation reserve	**13.9**	20.2	22.5

	Six months ended 30 September 2019 (unaudited) £m	Six months ended 30 September 2018 (unaudited) £m	Year ended 31 March 2019 (audited) £m
Tax reconciliation			
Loss before taxation	**(119.3)**	(35.1)	(123.9)
Loss before taxation multiplied by the corporation tax in the UK of 19% (six months to 30 September 2018 and year ended 31 March 2019: 19%)	**22.7**	6.7	23.5
Effects of:			
Adjustments in respect of prior years	**-**	-	0.2
Other permanent differences	**(0.5)**	(0.4)	(1.4)
Effect of pension payment in excess of service charge	**0.1**	0.4	0.8
Difference in standard rate of corporation tax (19%) and rate used for deferred tax (17%)	**(2.4)**	(0.8)	(2.3)
	19.9	5.9	20.8

The Group does not expect to pay corporation tax for the current year due to the availability of capital allowances on its investment programme.

Adjustments in respect of prior years' relate to revisions to tax credits for energy efficient capital expenditure and adjustments to deferred tax balances in respect of capital expenditure.

Deferred tax has been calculated at 17% for each of the above periods. This is based on the corporation tax rate which will apply from 1 April 2020. A small proportion of the temporary difference may reverse prior to 2020 at 19%, however the impact on the overall deferred tax balance is not significant.

5. Revaluation reserve

	30 September 2019 (unaudited) £m	30 September 2018 (unaudited) £m	31 March 2019 (audited) £m
Revaluation reserve at start of period	**1,189.5**	1,142.8	1,142.8
Revaluation of assets to RCV	**82.0**	119.2	132.2
Depreciation charge on revalued assets	**(39.6)**	(36.6)	(75.9)
	42.4	82.6	56.3
Deferred tax on revaluation	**(13.9)**	(20.2)	(22.5)
Deferred tax on depreciation charge	**6.7**	6.3	12.9
	(7.2)	(13.9)	(9.6)
Revaluation reserve at end of period	**1,224.7**	1,211.5	1,189.5

6. Property, plant and equipment

	Freehold land and buildings £m	Infrastructure assets £m	Operational structures £m	Plant, equipment, computer hardware £m	Total £m
Valuation					
At 1 April 2019	41.7	2,491.0	4,340.5	272.2	7,145.4
Revaluation	-	7.6	-	-	7.6
Additions	1.4	60.9	119.0	4.6	185.9
Disposal	-	-	-	(1.2)	(1.2)
At 30 September 2019	**43.1**	**2,559.5**	**4,459.5**	**275.6**	**7,337.7**
Accumulated depreciation					
At 1 April 2019	22.1	-	1,317.8	268.8	1,608.7
Revaluation	-	(29.1)	(45.3)	-	(74.4)
Charge for the period	0.4	29.1	114.5	4.4	148.4
Released on disposal	-	-	-	(1.1)	(1.1)
At 30 September 2019	**22.5**	**-**	**1,387.0**	**272.1**	**1,681.6**
Net book value					
At 30 September 2019 (unaudited)	**20.6**	**2,559.5**	**3,072.5**	**3.5**	**5,656.1**
At 31 March 2019 (audited)	19.6	2,491.0	3,022.7	3.4	5,536.7
At 30 September 2019 (unaudited) - historic cost basis	***20.6***	***1,854.3***	***2,302.0***	***3.5***	***4,180.4***

The net book value of fixed assets includes £71.8m (March 2019: £67.4m) of capitalised interest. Freehold land and buildings include a £1.4m addition in recognition of the right-of-use asset on initial application of IFRS 16. The Board has approved capital expenditure for the year to 31 March 2020 of £447m. While only a portion of this amount has been formally contracted for as at 30 September 2019, the Group is effectively committed to the total as part of its overall capital investment programme.

Notes to the condensed consolidated interim financial statements

7. Trade and other receivables

	30 September 2019 (unaudited) £m	30 September 2018 (unaudited) £m	31 March 2019 (audited) £m
Current			
Trade receivables	**370.5**	381.6	560.3
Less provision for impairment of receivables	**(74.5)**	(91.0)	(78.7)
Trade receivables - net	**296.0**	290.6	481.6
Prepayments and accrued income	**104.2**	91.2	80.6
Other receivables	**15.7**	22.9	11.3
	415.9	404.7	573.5
Non-current			
Other receivables	**0.9**	0.9	0.9
Total trade and other receivables	**416.8**	405.6	574.4

8. Trade and other payables

	30 September 2019 (unaudited) £m	30 September 2018 (unaudited) £m	31 March 2019 (audited) £m
Current			
Trade payables	**42.8**	47.0	57.3
Capital payables	**36.9**	42.9	44.6
Other taxation and social security	**5.0**	10.4	5.2
Accruals and deferred income	**289.0**	281.2	451.1
	373.7	381.5	558.2
Non-current			
Deferred income	**281.3**	249.6	264.7
Total trade and other payables	**655.0**	631.1	822.9

9. Analysis and reconciliation of net debt

Net debt is defined as the value of cash and cash equivalents less net accrued interest and total borrowings.

a) Net debt at the balance sheet date may be analysed as:	30 September 2019 (unaudited) £m	30 September 2018 (unaudited) £m	31 March 2019 (audited) £m
Cash and cash equivalents	**298.2**	234.5	501.1
Debt due after one year	**(3,097.5)**	(2,845.3)	(3,110.9)
Debt due within one year	**(42.6)**	(25.5)	(168.8)
Finance lease obligations	**(425.2)**	(435.9)	(435.0)
Accrued interest	**(80.1)**	(79.4)	(51.0)
	(3,645.4)	(3,386.1)	(3,765.7)
Net debt	**(3,347.2)**	(3,151.6)	(3,264.6)

Notes to the condensed consolidated interim financial statements

9. Analysis and reconciliation of net debt (continued)

b) The movement in net debt during the period may be summarised as:	30 September 2019 (unaudited) £m	30 September 2018 (unaudited) £m	31 March 2019 (audited) £m
Net debt at start of period	**(3,264.6)**	(3,070.3)	(3,070.3)
Movement in net cash	**(202.9)**	(54.0)	212.6
Movement in debt arising from cash flows	**163.5**	18.6	(361.5)
Movement in net debt arising from cash flows	**(39.4)**	(35.4)	(148.9)
Movement in accrued interest	**(29.1)**	(28.2)	0.2
Indexation of index-linked debt	**(12.8)**	(17.7)	(45.6)
Other non-cash movements	**(1.3)**	-	-
Movement in net debt during the period	**(82.6)**	(81.3)	(194.3)
Net debt at end of period	**(3,347.2)**	(3,151.6)	(3,264.6)

10. Financial risk management and financial instruments

The Group's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2019. There have been no changes in the risk management department or in any risk management policies since the year end.

In accordance with IFRS 13 Fair Value Measurement trading and treasury derivatives of the Group are categorised into different levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

All of the Group's treasury derivatives are categorised at Level 2. Trading derivatives relating to power price hedges are categorised as Level 2 where market to market valuation are received for these trades. Where market to market valuations are not received, the fair values are estimated rather than observable and are therefore categorised as Level 3. As at 30 September 2019, there fair values of derivatives were as follows:

Level 2

- assets: trading derivatives £2.6m, treasury derivatives £3.6m (March 2019: trading derivatives £2.5m, treasury derivatives £3.5m).

- liabilities: trading derivatives £0.1m, treasury derivatives £529.7m (March 2019: trading derivatives £0.2m, treasury derivatives £433.8m).

Level 3

- assets: trading derivatives £5.6m (March 2019: trading derivatives £2.4m).

- liabilities: trading derivatives £0.1m (March 2019: trading derivatives £0.6m).

10. Financial risk management and financial instruments (continued)

Trading derivatives relate to power hedges and treasury derivatives relate to interest rate swap contracts; all are recorded on the balance sheet at fair value.

Level 2 debt instruments are valued using a discounted cash flow approach, which discount the contractual cash flows using discount rates derived from observable market prices of other quoted debt instruments of the counterparties.

Level 3 debt instrument are valued using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market prices of other quoted debt instruments of the counterparties. Level 3 debt instruments are valued by comparing valuations from Level 2 trades for the same periods, with the valuations from observable trades being inflated or deflated to allow for any fixed price variations.

Independent review report to Glas Cymru Holdings Cyfyngedig for the six month period ended 30 September 2019

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly report for the six months ended 30 September 2019 which comprises the consolidated interim income statement, consolidated interim statement of comprehensive income, consolidated interim statement of changes in reserves, consolidated interim balance sheet, consolidated interim statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 30 September 2019 is not prepared, in all material respects, in accordance with the recognition and measurement requirements of IAS 34 *Interim Financial Reporting* as adopted by the EU.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the Directors.

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

James Ledward
for and on behalf of KPMG LLP
Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

12 November 2019

Appendix - definitions

Measures of Success		Definition
A1a	Safety of drinking water (% compliance)	Provide safe drinking water that meets the Drinking Water Inspectorate's standards. The percentage of the sample tests that are compliant with the standards. We take over 240,000 sample tests per year at our water treatment works, service reservoirs and at customer taps.
A1b	Safety of drinking water (Mean Zonal Compliance)	Mean Zonal Compliance (MZC) is published annually in the Drinking Water Inspectorate (DWI) report. The MZC covers 39 different parameters, such as iron, lead and aluminium, which are tested to establish the quality of water as received by customers. MZC is calculated as the average of the compliance levels for each parameter in each of our 82 water quality zones, which range in size from 27 to around 100,000 population.
A2	Customer acceptability	The number of contacts received from customers in the year regarding the appearance, taste or odour of drinking water, expressed as a rate per 1,000 customers.
A3	Reliability of supply	The average number of minutes that customers are without water within our supply area (includes both planned and unplanned interruptions).
B1	Abstraction for water for use	The percentage compliance with our abstraction licences, as issued by regulators.
B2	Treating wastewater	For each of our wastewater treatment works there is a permit which regulates the quality of wastewater the Company is allowed to discharge into rivers and coastal waters, which is regulated by the NRW. The measure is the % compliance against the discharge permits.
B3a	Preventing pollutions (categories 1, 2 and 3)	Reduce the number of pollution incidents (caused by blockages or collapsed sewers). Pollution incidents are categorised as category 1, 2 or 3 incident and reported by Natural Resources Wales and the Environment Agency. Category 1 are the most severe and have a major or serious impact on the environment, people or property. Category 2 - significant impact or effect on the environment, people or property. Category 3 - minor or minimal impact on the environment, people or property.
B3b	Preventing pollutions (category 3 only)	As above but only category 3 pollution incidents (minor or minimal impact on the environment, people or property).
C1	Responding to climate change	Reduce the amount of rainwater entering our sewers. The measure is the volume of surface water removed from the system, expressed as the number of equivalent properties.
C2	Carbon footprint	To generate more renewable energy and therefore to offset our carbon emissions and the cost of imported energy (GWh hours per year).
C-MeX	C-MeX (customer services)	C-MeX is comprised of two survey elements: 1. Customer Experience Survey – a customer satisfaction survey amongst a random samples of the water company's customers; and 2. Customer Service Survey – a customer satisfaction survey amongst a random sample of those customers who have contacted their water company. The scores from each of the two surveys are weighted equally to produce the combined C-MeX measure. This combined score for 2020/21 onwards will be used by Ofwat to calculate incentives and penalties on an annual basis.
D2	At-risk customer service	The number of customers who are on our "at risk" register. They are deemed to be "at risk" because their service has repeatedly fallen short in one of the following five areas: discolouration of water, interruptions to supply, low pressure, odour from wastewater assets and sewer flooding.

Appendix - definitions

Measures of Success		Definition
D3	Properties flooded in the year	The number of properties affected by internal sewer flooding per year.
D4a	Business customer satisfaction % satisfied	Business customer satisfaction as measured by either satisfied or very satisfied in the six monthly survey undertaken.
D4b	Non-household customer satisfaction	Business customer satisfaction as measured by the average customer score out of a total of five then converted to a percentage.
D5	Earning the trust of customers	Customer trust as measured in surveys we undertake throughout the year.
E1	Affordable bills	The Group will continue to make bills more affordable by maintaining falling bills in real terms, beating inflation by around 1% a year.
E2	Help for disadvantaged customers	A focus on helping more customers who genuinely struggle to pay their bills by providing assistance through a range of social tariffs and our Customer Assistance Fund.
F1	Asset serviceability	Maintenance of our assets. Serviceability includes a basket of sub-measures used by Ofwat to monitor the effectiveness of our asset management and the maintenance of our assets.
F2	Leakage	Reduce our leakage levels – megalitres per day (Ml/d).
F3	Asset resilience	Improve the resilience score of our most strategic assets. Improve the percentage of strategic assets that are resilient against a set of criteria. Strategic assets are those where failure would have a major impact on service to customers or on the environment.
G1	RIDDOR	The indicator by which we measure performance is the number of reports to the Health and Safety Executive under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) per annum.
G2	Competence for role	We have a “Progression in Role” framework and have established clear role profiles that define key criteria which we can now use to assess and measure individuals’ knowledge, skills and competence to undertake their respective roles.
H2	Financing Efficiency	We measure this by reference to our credit ratings as determined by independent credit rating agencies.