

# 2020/21 Annual Performance Report Updates

Following the publication of our 2020/21 Regulatory Annual Performance Report ('APR') in July 2021 and the subsequent review period by Ofwat we updated certain tables. The below updates have been made. The original APR published on 15 July 2021 has not been revised. No further external assurance has been obtained over the updates below.

## Table 1E – Net Debt Analysis

Finance leases were omitted from the fixed rate figure when calculating the weighted average years to maturity. Therefore, row 1E.13 has been updated as follows:

Line description	Units	DPs	Fixed rate	Floating rate	Index linked		Total	RAG 4 reference
					RPI	CPI/CPIH		
Time to maturity								
Weighted average years to maturity	nr	3	9.7	4	10.17	0	8.892	1E.13

## Table 1F – Financial Flows

Ofwat updated the excel formula for gearing (Line 1F.3) post publication. Finance costs should not have included bond amortisation and pension scheme interest, they had originally included them in our original calculation (Line 1F.7). Property numbers were updated post publication, which impacted the ODI performance (Line 1F.11) (see update to table 4R, the updated to table 3D is not publishable).

See Appendix 1 for updated table.

## Table 4C – Impact of price control performance to date of RCV

This table has been updated to include TOTEX differences, to the FD, due to efficiency (Lines 4C.7 and 4C.8). These reclassified totex differences were following clarification from Ofwat. Post publication Ofwat updated the bottom of the table to show Total Customer share of over/underspend instead of the company's share (Line 4C.22).

See Appendix 2 for updated table.

## 4H – Financial Metrics

Signage errors were made when calculating the effective tax rate (Line 4H.18), Post Tax Return on Regulatory Equity (Line 4H.4) and Return on RCV (Line 4H.12). When the Adjusted Interest Cover was originally calculated RCV runoff relating to RPI was used, instead of total RCV runoff (Line 4H.16). Ofwat also requested that certain percentages were to be shown as 2 decimal places (e.g. 21% as 0.21) (Lines 4H.23 – 4H.30).

See Appendix 3 for updated table.

## 4Q – Developer Services – New connections, properties, and mains

The wrong units were used for the length of new mains. Therefore, rows 4Q.13 and 4Q.14 have been updated as follows:

Line description	Units	DPs	Water	Wastewater	Total	RAG 4 reference
New water mains data						
Length of new mains (km) - requisitions	nr	0	4.379			4Q.13
Length of new mains (km) - SLPs	nr	0	3.074			4Q.14

## 4R – Connected properties, customers, and population

Post publication the number of business water customers was reviewed. The customer numbers – average section of 4R has been updated as follows:

Line description	Units	DPs	Unmeasured	Measured	Total	Voids	RAG 4 reference
Customer numbers - average during the year							
Residential water only customers	000s	3	99.545	170.934	270.479	10.88	4R.1
Residential wastewater only customers	000s	3	0	0	0.000	0	4R.2
Residential water and wastewater customers	000s	3	0	0	0.000	0	4R.3
Total residential customers	000s	3	99.545	170.934	270.479	10.880	4R.4
Business water only customers	000s	3	1.459	9.195	10.654	0.515	4R.5
Business wastewater only customers	000s	3	0	0	0.000	0	4R.6
Business water & wastewater customers	000s	3	0	0	0.000	0	4R.7
Total business customers	000s	3	1.459	9.195	10.654	0.515	4R.8
Total customers	000s	3	101.004	180.129	281.133	11.395	4R.9

## Appendix 1: Table 1F – Financial Flows

Line description	12 months ended 31 March 2021						RAG 4 reference
	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	
	Units	%			£m		
DPs	3			3			
Return on regulatory equity							
Return on regulatory equity	3.9%	3.1%	3.9%	3.959	3.139	3.139	1F.1
Regulatory equity	101.516	101.516	80.482				1F.2
Financing							
Gearing		0.8%	0.4%		0.820	0.283	1F.3
Gearing benefits sharing		0.0%	0.0%		0.000	0.000	1F.4
Variance in corporation tax		1.0%	1.3%		1.053	1.053	1F.5
Group relief		0.0%	0.0%		0.000	0.000	1F.6
Cost of debt		0.2%	0.3%		0.250	0.281	1F.7
Hedging instruments		0.0%	0.0%		0.000	0.000	1F.8
Return on regulatory equity including Financing adjustments	3.9%	5.2%	5.9%	3.959	5.262	4.756	1F.9
Operational Performance							
Totex out / (under) performance		-1.1%	-1.3%		-1.068	-1.068	1F.10
ODI out / (under) performance		-0.5%	-0.7%		-0.544	-0.544	1F.11
C-Mex out / (under) performance		0.0%	0.0%		0.000	0.000	1F.12
D-Mex out / (under) performance		0.0%	0.0%		0.000	0.000	1F.13
Retail out / (under) performance		-3.1%	-3.8%		-3.097	-3.097	1F.14
Other exceptional items		0.0%	0.0%		0.000	0.000	1F.15
Operational performance total		-4.6%	-5.9%		-4.709	-4.709	1F.16
RoRE	3.9%	0.5%	0.1%	3.959	0.553	0.046	1F.17
Actual performance adjustment 2015-20	-0.27%	-0.22%	-0.27%	-0.278	-0.220	-0.220	1F.18
Total earnings	0.04	0.00	0.00	3.681	0.333	-0.174	1F.19
RCV growth from inflation	0.01	0.01	0.01	1.028	1.028	0.815	1F.20
Voluntary sharing arrangements		-	-		0.000	0.000	1F.21
Total shareholder return	0.05	0.01	0.01	4.709	1.361	0.641	1F.22
Dividends							
Gross Dividend	1.84%	0.04	0.05	1.866	4.117	4.117	1F.23
Interest Received on Intercompany loans	0.00%	-	-	0.000	0.000	0.000	1F.24
Retained Value	2.8%	-2.7%	-4.3%	2.843	-2.756	-3.475	1F.25

## Appendix 2: Table 4C – Impact of price control performance to date of RCV

Line description	Units	DPs	12 months ended 31 March 2021					Price control period to date					RAG 4 reference
			Water resources	Water network plus	Wastewater network plus	Bioresources	Additional Control	Water resources	Water network plus	Wastewater network plus	Bioresources	Additional Control	
Totex (net of business rates, abstraction licence fees and grants and contributions)													
Final determination allowed totex (net of business rates, abstraction licence fees and grants and contributions)	£m	3	4.36	44.66429624	0	0	0	4.36	44.66429624	0	0	0	4C.1
Actual totex (net of business rates, abstraction licence fees and grants and contributions)	£m	3	5.589517177	47.17582352	0	0	0	5.589517177	47.17582352	0	0	0	4C.2
Transition expenditure	£m	3	0	0	0	0	0	0	0	0	0	0	4C.3
Disallowable costs	£m	3	0	0	0	0	0	0	0	0	0	0	4C.4
Total actual totex (net of business rates, abstraction licence fees and grants and contributions)	£m	3	5.590	47.176	0.000	0.000	0.000	5.590	47.176	0.000	0.000	0.000	4C.5
Variance	£m	3	1.225	2.512	0.000	0.000	0.000	1.225	2.512	0.000	0.000	0.000	4C.6
Variance due to timing of expenditure	£m	3	0.854	-0.618	0	0	0	0.854	-0.618	0	0	0	4C.7
Variance due to efficiency	£m	3	0.371	3.130	0.000	0.000	0.000	0.371	3.130	0.000	0.000	0.000	4C.8
Customer cost sharing rate	£m	3	0.55	0.55	0	0	0	0.55	0.55	0	0	0	4C.9
Customer share of totex over/underspend	£m	3	0.674	1.381	0.000	0.000	0.000	0.674	1.381	0.000	0.000	0.000	4C.10
Company share of totex over/underspend	£m	3	0.551	1.130	0.000	0.000	0.000	0.551	1.130	0.000	0.000	0.000	4C.11
Totex - business rates and abstraction licence fees													
Final determination allowed totex - business rates and abstraction licence fees	£m	3	1.08	2.960588252	0	0	0	1.08	2.960588252	0	0	0	4C.12
Actual totex - business rates and abstraction licence fees	£m	3	1.130077894	3.228500171	0	0	0	1.130077894	3.228500171	0	0	0	4C.13
Variance - business rates and abstraction licence fees	£m	3	0.051	0.268	0.000	0.000	0.000	0.051	0.268	0.000	0.000	0.000	4C.14
Customer cost sharing rate - business rates and abstraction licence fees	£m	3	0.55	0.55	0	0	0	0.55	0.55	0	0	0	4C.15
Customer share of totex over/underspend - business rates and abstraction licence fees	£m	3	0.028	0.147	0.000	0.000	0.000	0.028	0.147	0.000	0.000	0.000	4C.16
Company share of totex over/underspend - business rates and abstraction licence fees	£m	3	0.023	0.121	0.000	0.000	0.000	0.023	0.121	0.000	0.000	0.000	4C.17
Totex not subject to cost sharing													
Final determination allowed totex - not subject to cost sharing	£m	3	0	2.314032829	0	0	0	0	2.314032829	0	0	0	4C.18
Actual totex - not subject to cost sharing	£m	3	0	0.27044098	0	0	0	0	0.27044098	0	0	0	4C.19
Variance - 100% company allocation	£m	3	0.000	-2.044	0.000	0.000	0.000	0.000	-2.044	0.000	0.000	0.000	4C.20
Total company share of totex over/under spend	£m	3	0.574	-0.793	0.000	0.000	0.000	0.574	-0.793	0.000	0.000	0.000	4C.21
RCV													
Total customer share of totex over/under spend	£m	3	0.702	1.529	0.000	0.000	0.000	0.702	1.529	0.000	0.000	0.000	4C.22
PAYG rate	£m	3	0.82	0.49	0	0	0	0.82	0.49	0	0	0	4C.23
RCV element of totex over/underspend	£m	3	0.126	0.780	0.000	0.000	0.000	0.126	0.780	0.000	0.000	0.000	4C.24
Adjustment for ODI outperformance payment or underperformance payment	£m	3						0	0	0	0	0	4C.25
RCV determined at PD at 31 March	£m	3						13.80748564	255.9620252	0	0	0	4C.26
Projected 'shadow' RCV	£m	3						13.934	256.742	0.000	0.000	0.000	4C.27

## Appendix 3: Table 4H – Financial Metrics

Line description	Units	DPs	Current year	AMP to date	RAG 4 reference
<b>Financial indicators</b>					
Net debt	£m	3	191.491		4H.1
Regulatory equity	£m	3	78.278		4H.2
Regulatory gearing	%	2	70.983		4H.3
Post tax return on regulatory equity	%	2	0.03		4H.4
RORE (return on regulatory equity)	%	2	0.545	1	4H.5
Dividend yield	%	2	5.51		4H.6
Retail profit margin - Household	%	2	-68.09		4H.7
Retail profit margin - Non household	%	2	0.000		4H.8
Credit rating - Moody's	Test	n/a	Baa2 (Negative)		4H.10
Return on RCV	%	2	0.04		4H.12
Dividend cover	dec	2	0.643		4H.13
Funds from operations (FFO)	£m	3	15.296		4H.14
Interest cover (cash)	dec	2	3.94		4H.15
Adjusted interest cover (cash)	dec	2	0.22		4H.16
FFO/Net debt	dec	2	0.080		4H.17
Effective tax rate	%	2	-7.187		4H.18
RCF	£m	3	10.986		4H.19
RCF/Net debt	dec	2	0.057		4H.20
<b>Revenue and earnings</b>					
Revenue (actual)	£m	3	60.687		4H.21
EBITDA (actual)	£m	3	15.436		4H.22
<b>Borrowings</b>					
Proportion of borrowings which are fixed rate	%	2	0.00		4H.23
Proportion of borrowings which are floating rate	%	2	0.21		4H.24
Proportion of borrowings which are index linked	%	2	0.79		4H.25
Proportion of borrowings due within 1 year or less	%	2	0.00		4H.26
Proportion of borrowings due in more than 1 year but no more than 2 years	%	2	0.00		4H.27
Proportion of borrowings due in more than 2 years but no more than 5 years	%	2	0.21		4H.28
Proportion of borrowings due in more than 5 years but no more than 20 years	%	2	0.79		4H.29
Proportion of borrowings due in more than 20 years	%	2	0.00		4H.30