



Hafren Dyfrdwy Limited **Annual Performance Report 2018**

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For commentary explaining our performance in 2017/18, please see our customer summary of the [Annual Performance Report](#) on our website.

About us

In February 2017, Dee Valley Water became part of the Severn Trent group. Earlier this year, Ofwat approval was received to align the boundaries of Severn Trent and Dee Valley Water to the national boundaries of Wales and England. In line with this approval, we launched our new name, Hafren Dyfrdwy on 1 July 2018. Hafren Dyfrdwy is Welsh for 'Severn Dee' and represents the two major rivers in the Welsh region that we proudly serve.

We want to make our services as amazing as water itself so we've come together to create something which will ensure all our customers in Wales can enjoy wonderful water for generations to come.

This document covers the year ending 1 March 2018. As such, we are reporting performance for the previous Dee Valley Water business which supplied 59 million litres of drinking water each day to around 128,000 customers in northwest Wales, Cheshire and the surrounding areas.

Disclosure required by RAG 3

In addition to the disclosures that are set out in the tables in Sections 1 – 4, RAG 3 sets out requirements for narrative disclosures in the Annual Performance Report. The statements set out below address those requirements.

Governance and dividend policy

Hafren Dyfrdwy Limited has chosen to apply the principles of the April 2016 version of the UK Corporate Governance Code (the 'Code') to its governance arrangements where appropriate and reasonably practicable. Details of how the company has applied the Code during the year are set out in the company's Annual Report and Accounts, which is available on the company's website www.hdcymru.co.uk

The company's Annual Report and Accounts includes a long term viability statement in the Strategic Report on pages 10-12.

The company's dividend policy is to declare dividends which are consistent with the company's regulatory obligations and at a level which is decided each year after consideration of a number of factors, including regulatory uncertainty, ODI rewards or penalties, actual and potential efficiencies, future cash flow requirements and balance sheet considerations.

The amount declared is expected to vary each year as the impact of factors changes. No ordinary dividend was declared or paid by the company in 2017/18 (2016/17: £1.95 million, being 8.09 pence per share).

Disclosure of information to auditor

The Companies Act requires directors to make a statement in the company's Annual Report and Accounts regarding the provision of information to the auditor. RAG 3 requires an equivalent statement to also be made in the Annual Performance Report. This statement is set out below.

In the case of each of the persons who are directors of the company at the date when this report was approved so far as each of the directors are aware, there is no relevant audit information of which the company's auditor is unaware; and each of the directors has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Risk and compliance

Our compliance statement is published on our website. In summary the statement confirms that Hafren Dyfrdwy Limited:

- a) Considers it has a full understanding of, and is meeting, its obligations and has taken steps to understand and meet customer expectations;
- b) Has satisfied itself that it has sufficient processes and internal systems of control to fully meet its obligations and has appropriate systems and processes in place to allow it to identify, manage and review its risks; and
- c) Sets out the steps the company is taking or will take to manage and/or mitigate any material or potential material risk which is identified and defines materiality for the purposes of this.

Group structure

The ownership structure of Hafren Dyfrdwy Limited within the Severn Trent group can be found on the Severn Trent website (www.severntrent.co.uk).

Statement of Directors' responsibilities

The directors are responsible for the preparation of the Annual Performance Report and for its fair presentation in accordance with the basis of preparation and accounting policies.

Further to the requirements of company law, the directors are required to prepare financial statements which comply with the requirements of Condition F Instrument of Appointment of the company as a water and sewerage undertaker under the Water Industry Act 1991 and Regulatory Accounting Guidelines issued by the Water Services Regulation Authority. This additionally requires the directors to:

- a) Confirm that, in their opinion, the company has sufficient financial and management resources for the next twelve months;
- b) Confirm that, in their opinion, the company has sufficient rights and assets which would enable a special administrator to manage the affairs, business and property of the company;
- c) Report to the Water Services Regulation Authority changes in the company's activities which may be material in relation to the company's ability to finance its regulated activities;

- d) Undertake transactions entered into by the appointed business, with or for the benefit of associated companies or other businesses or activities of the appointed business, at arm's length; and
- e) Keep proper accounting records which comply with Condition F.

Diversification and the protection of the core business

The ring fencing provisions in the company's licence (Condition F6a) require it to make certain statements in relation to its ability to continue to carry out its regulated activities for at least a year after the date of the report. This statement is set out below.

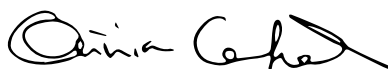
Hafren Dyfrdwy Limited hereby advises:

- a) That in the opinion of the directors, the Appointee will have available to it sufficient financial resources and facilities to enable it to carry out, for at least the next 12 months, the Regulated Activity (including the investment programme necessary to fulfil the Appointee's obligations under the Appointment); and
- b) That in the opinion of the directors, the Appointee will for at least the next 12 months, have available to it management resources which are sufficient to enable it to carry out those functions.

Ring Fencing

Paragraph 3.1 of Condition K requires the company, at all times, to ensure that if a special administrator were appointed to manage the regulated activities, that administrator would have sufficient control over the regulated business and assets to be able to do so. In addition to the statement set out above under Condition F6a, the company is required to confirm that it is in compliance with Condition K3.1. This statement is set out below.

In accordance with the requirements of the Water Services Regulation Authority, the board confirmed that, as at 31 March 2018, it had available to it sufficient rights and assets, not including financial resources, which would enable a special administrator to manage the affairs, business and property of the company in order that the purposes of a special administration order could be achieved if such an order were made.



Liv Garfield
Chief Executive
Hafren Dyfrdwy Ltd

For and on behalf of the board
13 July 2018

Independent Auditors' report to the Water Services Regulation Authority (the WSRA) and the Directors of Hafren Dyfrdwy Limited

Opinion on Annual Performance Report

We have audited the following tables within Hafren Dyfrdwy Limited's ("the Company") Annual Performance Report for the year ended 31 March 2018

- the regulatory financial reporting tables comprising the income statement (table 1A), the statement of comprehensive income (table 1B), the statement of financial position (table 1C), the statement of cash flows (table 1D) and the net debt analysis (table 1E) and the related notes; and
- the regulatory price review and other segmental reporting tables comprising the segmental income statement (table 2A), the totex analysis for wholesale water and wastewater (table 2B), the operating cost analysis for retail (table 2C), the historical cost analysis of fixed assets for wholesale and retail (table 2D), the analysis of capital contributions and land sales for wholesale (table 2E), the household water revenues by customer type (table 2F), the non-household water revenues by customer type (table 2G), the revenue analysis & wholesale control reconciliation (table 2I), the infrastructure network reinforcement costs (table 2J) and the related notes hereafter referred to as "the Regulatory Accounting Statements".

We have not audited the outcome performance table (tables 3A to 3D) and the additional regulatory information in tables 4A to 4V.

In our opinion, Hafren Dyfrdwy Limited' Regulatory Accounting Statements have been properly

prepared in accordance with financial reporting provisions of Condition F, the Regulatory Accounting Guidelines issued by the WSRA (RAG 1.08, RAG 2.07, RAG 3.10, RAG 4.07 and RAG 5.07) and the accounting policies (including the Company's published accounting methodology statement, as defined in RAG 3.10, appendix 2), set out in Note 1.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800, and applicable law, and having regard to the guidance contained in ICAEW Technical Release Tech 02/16 AAF 'Reporting to Regulators on Regulatory Accounts' issued by the Institute of Chartered Accountants in England & Wales. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Regulatory Accounting Statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the Regulatory Accounting Statements section of our report.

Emphasis of matter – special purpose basis of preparation

We draw attention to the fact that the Regulatory Accounting Statements have been prepared in accordance with Condition F, the Regulatory Accounting Guidelines, the accounting policies (including the Company's published accounting methodology statement, as defined in RAG 3.10, appendix 2) set out in the statement of accounting policies and under the historical cost convention. The nature, form and content of the Regulatory Accounting statements are determined by the WSRA. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA's purposes. Accordingly we make no such assessment.

The Regulatory Accounting Statements are separate from the statutory financial statements of the Company and have not been prepared under the basis of International Financial Reporting Standards as adopted by the European Union ("IFRSs"). Financial information other than that prepared on the basis of IFRSs does not necessarily represent a true and fair view of the financial performance or financial position of a Company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

The Regulatory Accounting Statements on pages 10 to 32 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from IFRSs. A summary of the effect of these departures from Generally Accepted Accounting Practice in the Company's statutory financial statements is included in the tables within section 1.

The Regulatory Accounting Statements are prepared in accordance with a special purpose framework for the specific purpose as described in the respective directors' and auditor's responsibilities sections below. As a result, the Regulatory Accounting Statements may not be suitable for another purpose.

Our opinion is not modified in this respect.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the Regulatory Accounting Statements is not appropriate; or
- the directors have not disclosed in the Regulatory Accounting Statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Regulatory Accounting Statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Other information

The other information comprises all of the information in the Annual Performance Report other than the Regulatory Accounting Statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the Regulatory Accounting Statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the Regulatory Accounting Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Regulatory Accounting Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Regulatory Accounting Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement or inconsistency of this other information, we are required to report that fact.

We have nothing to report based on these responsibilities.

Responsibilities of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the Regulatory Accounting Statements in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA and the Company's accounting policies (including the Company's published accounting methodology statement, as defined in RAG 3.10, appendix 2).

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of the Regulatory Accounting Statements that are free from material misstatement, whether due to fraud or error. In preparing the Regulatory Accounting Statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the Audit of the Regulatory Accounting Statements

Our objectives are to obtain reasonable assurance about whether the Regulatory Accounting Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Regulatory Accounting Statements.

A further description of our responsibilities for the audit of the Regulatory Accounting Statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Opinion on other matters prescribed by Condition F

Under the terms of our contract we have assumed responsibility to provide those additional opinions required by Condition F in relation to the accounting records. In our opinion:

- proper accounting records have been kept by the appointee as required by paragraph 3 of Condition F; and
- the Regulatory Accounting Statements are in agreement with the accounting records and returns retained for the purpose of preparing the Annual Performance Report.

Use of this report

This report is made, on terms that have been agreed, solely to the Company and the WSRA in order to meet the requirements of Condition F of the Instrument of Appointment granted by the Secretary of State for the Environment to the Company as a water and sewage undertaker under the Water Industry Act 1991 ("Condition F"). Our audit work has been undertaken so that we might state to the Company and the WSRA those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under Condition F to procure such a report and (b) to facilitate the carrying out by the WSRA of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the WSRA, for our audit work, for this report or for the opinions we have formed.

Our opinion on the Regulatory Accounting Statements within the Annual Performance Report is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2018 on which we reported on 13 July 2018, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Deloitte LLP

Birmingham, United Kingdom

13 July 2018

Section 1

Regulatory financial reporting

1A – Income statement

Year ended 31 March 2018

Line description		Statutory	Differences between statutory and RAG definitions	Adjustments		Total appointed activities
				Non-appointed	Total adjustments	
		£m	£m	£m	£m	£m
1A.1	Revenue	27.352	0.000	(2.304)	(2.304)	25.048
1A.2	Operating costs	(21.410)	(0.390)	0.908	0.518	(20.892)
1A.3	Other operating income	0.000	0.204	0.000	0.204	0.204
1A.4	Operating profit	5.942	(0.186)	(1.396)	(1.582)	4.360
1A.5	Other income	0.000	0.186	0.000	0.186	0.186
1A.6	Interest income	0.300	(0.300)	0.000	(0.300)	0.000
1A.7	Interest expense	(3.020)	(1.056)	0.000	(1.056)	(4.076)
1A.8	Other interest expense	0.000	0.300	0.000	0.300	0.300
1A.9	Profit before tax and fair value movements	3.222	(1.056)	(1.396)	(2.452)	0.770
1A.10	Fair value gains/(losses) on financial instruments	0.000	0.000	0.000	0.000	0.000
1A.11	Profit before tax	3.222	(1.056)	(1.396)	(2.452)	0.770
1A.12	UK Corporation tax	(1.617)	0.000	0.265	0.265	(1.352)
1A.13	Deferred tax	0.650	0.179	0.000	0.179	0.829
1A.14	Profit for the year	2.255	(0.877)	(1.131)	(2.008)	0.247
1A.15	Dividends	0.000	0.000	0.000	0.000	0.000
A	Tax analysis					
1A.16	Current year	0.288	0.000	(0.265)	(0.265)	0.023
1A.17	Adjustments in respect of prior years	1.329	0.000	0.000	0.000	1.329
1A.18	UK Corporation tax	1.617	0.000	(0.265)	(0.265)	1.352
B	Analysis of non-appointed revenue					
1A.19	Imported sludge	0.000				
1A.20	Tankered waste	0.000				
1A.21	Other non-appointed revenue	2.304				
1A.22	Revenue	2.304				

The differences between statutory and RAG definitions are outlined in the following table:

	Adjustments	Reclassifications		Total differences
	Capitalisation of interest and related depreciation	Profit on fixed asset disposals and non-operating income and deferred credits	Pension scheme net interest costs	
	£m	£m	£m	
Revenue	0.000	0.000	0.000	0.000
Operating costs	0.000	(0.390)	0.000	(0.390)
Other operating income	0.000	0.204	0.000	0.204
Operating profit	0.000	(0.186)	0.000	(0.186)
Other income	0.000	0.186	0.000	0.186
Interest income	0.000	0.000	(0.300)	(0.300)
Interest expense	(1.056)	0.000	0.000	(1.056)
Other interest expense	0.000	0.000	0.300	0.300
Profit before tax and fair value movements	(1.056)	0.000	0.000	(1.056)
Fair value losses on financial instruments	0.000	0.000	0.000	0.000
Profit before tax	(1.056)	0.000	0.000	(1.056)
UK corporation tax	0.000	0.000	0.000	0.000
Deferred tax	0.179	0.000	0.000	0.179
Profit for the year	(0.877)	0.000	0.000	(0.877)

1B - Statement of comprehensive income

Year ended 31 March 2018

Line description		Adjustments				Total appointed activities
		Statutory	Differences between statutory and RAG definitions	Non-appointed	Total adjustments	
		£m	£m	£m	£m	£m
1B.1	Profit for the year	2.255	(0.877)	(1.131)	(2.008)	0.247
1B.2	Actuarial gains/(losses) on post employment plans	6.715	0.000	0.000	0.000	6.715
1B.3	Other comprehensive income	0.000	0.000	0.000	0.000	0.000
1B.4	Total Comprehensive income for the year	8.970	(0.877)	(1.131)	(2.008)	6.962

1C – Statement of financial position

Year ended 31 March 2018

Line description	Statutory	Differences between statutory and RAG definitions	Adjustments		Total appointed activities
			Non-appointed	Total adjustments	
	£m	£m	£m	£m	£m
A Non-current assets					
1C.1 Fixed assets	110.168	(0.795)	0.000	(0.795)	109.373
1C.2 Intangible assets	4.548	(0.261)	0.000	(0.261)	4.287
1C.3 Investments - loans to group companies	0.000	9.684	0.000	9.684	9.684
1C.4 Investments - other	0.000	0.000	0.000	0.000	0.000
1C.5 Financial instruments	0.000	0.000	0.000	0.000	0.000
1C.6 Retirement benefit assets	18.205	0.000	0.000	0.000	18.205
1C.7 Total non-current assets	132.921	8.628	0.000	8.628	141.549
B Current assets					
1C.8 Inventories	0.434	0.000	0.000	0.000	0.434
1C.9 Trade & other receivables	23.080	(9.684)	(8.296)	(17.980)	5.100
1C.10 Financial instruments	0.000	0.000	0.000	0.000	0.000
1C.11 Cash & cash equivalents	0.908	3.498	(4.406)	(0.908)	0.000
1C.12 Total current assets	24.422	(6.186)	(12.702)	(18.888)	5.534
C Current liabilities					
1C.13 Trade & other payables	(23.213)	4.519	10.269	14.788	(8.425)
1C.14 Capex creditor	0.000	(4.360)	0.000	(4.360)	(4.360)
1C.15 Borrowings	(0.478)	(3.498)	0.000	(3.498)	(3.976)
1C.16 Financial instruments	0.000	0.000	0.000	0.000	0.000
1C.17 Current tax liabilities	(0.877)	0.000	0.265	0.265	(0.612)
1C.18 Provisions	0.000	0.000	0.000	0.000	0.000
1C.19 Total current liabilities	(24.568)	(3.339)	10.534	7.195	(17.373)
1C.20 Net current assets/(liabilities)	(0.146)	(9.525)	(2.168)	(11.693)	(11.839)
D Non-current liabilities					
1C.21 Trade & other payables	(11.162)	11.162	0.000	11.162	0.000
1C.22 Borrowings	(62.482)	0.000	0.000	0.000	(62.482)
1C.23 Financial instruments	0.000	0.000	0.000	0.000	0.000
1C.24 Retirement benefit obligations	0.000	0.000	0.000	0.000	0.000
1C.25 Provisions	0.000	0.000	0.000	0.000	0.000
1C.26 Deferred income - G&C's	0.000	(11.321)	0.000	(11.321)	(11.321)
1C.27 Deferred income - adopted assets	0.000	0.000	0.000	0.000	0.000
1C.28 Preference share capital	0.000	0.000	0.000	0.000	0.000
1C.29 Deferred tax	(14.296)	0.179	0.000	0.179	(14.117)
1C.30 Total non-current liabilities	(87.940)	0.020	0.000	0.020	(87.920)
1C.31 Net assets	44.835	(0.877)	(2.168)	(3.045)	41.790
E Equity					
1C.32 Called up share capital	0.240	0.000	0.000	0.000	0.240
1C.33 Retained earnings & other reserves	44.595	(0.877)	(2.168)	(3.045)	41.550
1C.34 Total Equity	44.835	(0.877)	(2.168)	(3.045)	41.790

The differences between statutory and RAG definitions are outlined in the following table:

	Adjustments		Reclassifications			Total differences
	Capitalisation of interest	Capital creditor reclass	Deferred income reclass	Intercompany reclassification	Appointed cash reclassification	
	£m	£m	£m	£m	£m	£m
Non-current assets						
Fixed assets	(0.795)	0.000	0.000	0.000	0.000	(0.795)
Intangible assets	(0.261)	0.000	0.000	0.000	0.000	(0.261)
Investments - loans to group companies	0.000	0.000	0.000	9.684	0.000	9.684
Investments - other	0.000	0.000	0.000	0.000	0.000	0.000
Financial instruments	0.000	0.000	0.000	0.000	0.000	0.000
Retirement benefit assets	0.000	0.000	0.000	0.000	0.000	0.000
Total non-current asset	(1.056)	0.000	0.000	9.684	0.000	8.628
Current assets						
Inventories	0.000	0.000	0.000	0.000	0.000	0.000
Trade and other receivables	0.000	0.000	0.000	(9.684)	0.000	(9.684)
Financial instruments	0.000	0.000	0.000	0.000	0.000	0.000
Cash and cash equivalents	0.000	0.000	0.000	0.000	3.498	3.498
Total current assets	0.000	0.000	0.000	(9.684)	3.498	(6.186)
Current liabilities						
Trade and other payables	0.000	4.360	0.159	0.000	0.000	4.519
Capex creditor	0.000	(4.360)	0.000	0.000	0.000	(4.360)
Borrowings	0.000	0.000	0.000	0.000	(3.498)	(3.498)
Financial instruments	0.000	0.000	0.000	0.000	0.000	0.000
Current tax liabilities	0.000	0.000	0.000	0.000	0.000	0.000
Provisions	0.000	0.000	0.000	0.000	0.000	0.000
Total current liabilities	0.000	0.000	0.159	0.000	(3.498)	(3.339)
Net current assets/(liabilities)	0.000	0.000	0.159	(9.684)	0.000	(9.525)
Non-current liabilities						
Trade and other payables	0.000	0.000	11.162	0.000	0.000	11.162
Borrowings	0.000	0.000	0.000	0.000	0.000	0.000
Financial instruments	0.000	0.000	0.000	0.000	0.000	0.000
Retirement benefit obligations	0.000	0.000	0.000	0.000	0.000	0.000
Provisions	0.000	0.000	0.000	0.000	0.000	0.000
Deferred income - grants and contributions	0.000	0.000	(11.321)	0.000	0.000	(11.321)
Deferred income -adopted assets	0.000	0.000	0.000	0.000	0.000	0.000
Preference share capital	0.000	0.000	0.000	0.000	0.000	0.000
Deferred tax	0.179	0.000	0.000	0.000	0.000	0.179
Total non-current liabilities	0.179	0.000	(0.159)	0.000	0.000	0.020
Net assets	(0.877)	0.000	0.000	0.000	0.000	(0.877)
Equity						
Called up share capital	0.000	0.000	0.000	0.000	0.000	0.000
Retained earnings and other reserves	(0.877)	0.000	0.000	0.000	0.000	(0.877)
Total equity	(0.877)	0.000	0.000	0.000	0.000	(0.877)

1D - Statement of cash flows

Year ended 31 March 2018

Line description	Statutory	Differences between statutory and RAG definitions	Adjustments		Total appointed activities
			Non-appointed	Total adjustments	
	£m	£m	£m	£m	£m
A Statement of cashflows					
1D.1 Operating profit	5.942	(0.186)	(1.396)	(1.582)	4.360
1D.2 Other income	0.000	0.186	0.000	0.186	0.186
1D.3 Depreciation	5.443	0.000	0.000	0.000	5.443
1D.4 Amortisation - G&C's	0.000	0.000	0.000	0.000	0.000
1D.5 Changes in working capital	(0.924)	0.000	4.464	4.464	3.540
1D.6 Pension contributions	0.040	0.000	0.000	0.000	0.040
1D.7 Movement in provisions	0.000	0.000	0.000	0.000	0.000
1D.8 Profit on sale of fixed assets	(0.204)	0.000	0.000	0.000	(0.204)
1D.9 Cash generated from operations	10.297	0.000	3.068	3.068	13.365
1D.10 Net interest paid	(2.159)	0.000	0.000	0.000	(2.159)
1D.11 Tax paid	(0.752)	0.000	(0.197)	(0.197)	(0.949)
1D.12 Net cash generated from operating activities	7.386	0.000	2.871	2.871	10.257
C Investing activities					
1D.13 Capital expenditure	(13.247)	0.000	0.000	0.000	(13.247)
1D.14 Grants & Contributions	0.829	0.000	0.000	0.000	0.829
1D.15 Disposal of fixed assets	0.204	0.000	0.000	0.000	0.204
1D.16 Other	0.000	0.000	0.000	0.000	0.000
1D.17 Net cash used in investing activities	(12.214)	0.000	0.000	0.000	(12.214)
1D.18 Net cash generated before financing activities	(4.828)	0.000	2.871	2.871	(1.957)
D Cashflows from financing activities					
1D.19 Equity dividends paid	0.000	0.000	0.000	0.000	0.000
1D.20 Net loans received	5.258	0.000	0.000	0.000	5.258
1D.21 Cash inflow from equity financing	0.000	0.000	0.000	0.000	0.000
1D.22 Net cash generated from financing activities	5.258	0.000	0.000	0.000	5.258
1D.23 Increase (decrease) in net cash	0.430	0.000	2.871	2.871	3.301

The differences between statutory and RAG definitions are outlined in the following table:

	Non-operating income reclass	Total differences
	£m	£m
Statement of cashflows		
Operating profit	(0.186)	(0.186)
Other income	0.186	0.186
Depreciation	0.000	0.000
Amortisation - grants and contributors	0.000	0.000
Changes to working capital	0.000	0.000
Pension contributions	0.000	0.000
Movements in provisions	0.000	0.000
Profit on sale of fixed assets	0.000	0.000
Cash generated from operations	0.000	0.000
Net interest paid	0.000	0.000
Tax paid	0.000	0.000
Net cash generated from operating activities	0.000	0.000
Investing activities		
Capital expenditure	0.000	0.000
Grants and contributions	0.000	0.000
Disposal of fixed assets	0.000	0.000
Other	0.000	0.000
Net cash used in investing activities	0.000	0.000
Net cash generated before financing activities	0.000	0.000
Cashflows from financing activities		
Equity dividends paid	0.000	0.000
Net loans received	0.000	0.000
Cash outflow from equity financing	0.000	0.000
Net cash used in financing activities	0.000	0.000
Decrease in net cash	0.000	0.000

1E - Net debt analysis

Year ended 31 March 2018

Line description	Interest rate risk profile			Total £m
	Fixed rate	Floating rate	Index linked	
	£m	£m	£m	
1E.1 Borrowings (excluding preference shares)	0.108	11.266	55.084	66.458
1E.2 Preference share capital				0.000
1E.3 Total borrowings				66.458
1E.4 Cash				0.000
1E.5 Short term deposits				0.000
1E.6 Net Debt				66.458
1E.7 Gearing				67.16%
1E.8 Adjusted gearing				0.0
1E.9 Full year equivalent nominal interest cost	0.000	0.149	3.715	3.864
1E.10 Full year equivalent cash interest payment	0.000	0.149	2.002	2.151
A Indicative interest rates				
1E.11 Indicative weighted average nominal interest rate	0.00%	1.32%	6.74%	5.81%
1E.12 Indicative weighted average cash interest rate	0.00%	1.32%	3.63%	3.24%
1E.13 Weighted average years to maturity	0.00	0.00	14.51	14.51

The net debt analysis is reconciled to the net debt position below:

	Statutory £m	Non-appointed adjustment £m	Appointed cash reclassification £m	Appointed net debt £m
Current borrowings	0.478	0.000	3.498	3.976
Non-current borrowings	62.482	0.000	0.000	62.482
Borrowings	62.960	0.000	3.498	66.458
Cash and cash equivalents	(0.908)	4.406	(3.498)	0.000
Net debt	62.052	4.406	0.000	66.458

Current tax reconciliation

Year ended 31 March 2018

The current tax charge after prior year adjustments for the year ended 31 March 2018 is higher than the standard rate of corporation tax in the UK.

The differences to the standard rate of corporation tax and the reconciliation to the current tax charge allowed in price limits are outlined in the below table:

	Actual £m	FD £m	Variance £m
Profit on ordinary activities before tax	0.770	3.430	(2.660)
Tax at the standard rate of corporation tax in the UK 19% (FD 20%)	0.146	0.686	(0.540)
Tax effect of expenditure not deductible in determining taxable profits	0.002	0.049	(0.047)
Capital allowances in excess of depreciation	0.105	(0.121)	0.226
Notional gearing alignment	0.000	0.327	(0.327)
Other temporary differences	(0.230)	(0.559)	0.329
Current tax charge before prior year adjustments	0.023	0.382	(0.359)
Prior year adjustment	1.329	0.000	1.329
Current tax charge after prior year adjustments	1.352	0.382	0.970

The current tax charge for the appointed business is higher than the total tax charge allowed in price limits due to the net impact of the following:

- Profit before tax has decreased primarily due to higher finance costs as a result of higher inflation, alongside reduced revenues as a result of lower customer tariffs and additional staff costs;
- Expenditure that is not deductible for tax purposes has decreased from the level assumed within the FD tax charge;
- Capital allowances in excess of depreciation within the appointed business are higher than the level forecast within the FD following a line by line review of the expenditure as it has actually been incurred;
- There is a notional gearing alignment included within the FD;
- Other temporary differences have decreased from the level assumed within the FD tax charge; and
- The prior year adjustment within the appointed business of £1.329 million reflects the agreement of prior years tax matters with HMRC.

Factors that will impact future tax charges will include:

- Planned reductions in corporation tax rates; and
- Any changes in tax legislation or practice not reflected in the FD.

Tax strategy for the appointed business

We are committed to managing our tax affairs in a responsible manner. This means paying the right amount of tax at the right time in compliance with UK tax rules and acting in accordance with the values set out in our corporate responsibility framework.

References to 'tax' include taxes that we incur (corporation tax, business rates, employer's NIC, VAT and various environmental taxes) as well as taxes that we administer and collect on HMRC's behalf (PAYE and employee's NIC).

Our Approach to Tax

Our approach to tax is overseen by the Hafren Dyfrdwy Limited Board and is governed by the following key principles:

- We will manage our tax affairs responsibly, in a manner consistent with our vision to be the most trusted water company by 2020;
- We will not undertake aggressive tax planning or any planning not otherwise in support of business requirements;
- We will make use of widely claimed incentives that Government has chosen to make available to encourage investment;
- We will maintain an open, transparent and collaborative relationship with HMRC consistent with maintaining our good working relationship

The effective management of our tax affairs is in the best interests of customers as it helps to keep our bills as low as possible.

Tax Governance

Responsibility for tax governance sits with the Chief Financial Officer, with oversight from the Board and Audit Committee and day-to-day support from a team of qualified in-house tax professionals.

In accordance with group risk management procedures, tax risks are recorded and monitored throughout the year. If a material uncertainty is identified, external advice may be sought to ensure that our interpretation of the relevant UK tax rules is appropriate. We may also seek to resolve an uncertain tax position directly with HMRC before a tax return is filed, in accordance with HMRC's framework for co-operative compliance.

Any significant tax risk is reported to, and overseen by, the Audit Committee, who also receive tax status updates as part of the interim and year-end financial reporting programmes.

Relationship with HMRC

In maintaining a good working relationship with HMRC, we seek to ensure that HMRC are kept up to date with business developments, including any commercial transactions with potentially significant tax implications. Where queries arise, these are managed on the basis of full disclosure.

We will make representations to, and consult with, HMRC on issues that could adversely affect investment in UK infrastructure or our customers' bills.

Notes to the Annual Performance Report

Year ended 31 March 2018

1. Regulatory reporting

The regulatory accounts as reported on pages 10-22 should be read in conjunction with the financial review set out on page 2 of the Hafren Dyfrdwy Limited Annual Report and Accounts 2018 to aid understanding of the performance of the business.

Differences in recognition and measurement between statutory and regulatory financial accounts

Borrowing costs

Borrowing costs where directly related to the construction of an asset are capitalised in the statutory accounts. These amounts are not capitalised in the regulatory financial reporting statements in accordance with the RAGs.

Difference in presentation of specific items required to be separately disclosed in the regulatory financial statements

Profit or loss on disposal of fixed assets and non-operating income are included in operating costs in the statutory accounts but are shown as separate line items in the regulatory financial statements. In addition, interest income and costs relating to defined benefit pension schemes are included in finance income or cost respectively in the statutory accounts but are shown as other interest expense in the regulatory accounts.

The capex creditor and deferred income from grants and contributions and adopted assets included within trade and other payables in the statutory accounts are shown as separate items in the regulatory accounts.

Intra-group loans have been reclassified from Trade and other receivables to Investments.

After allocating cash to the non-appointed business the balance remaining is a liability and this has been reclassified to borrowings.

Price control segments

The regulatory accounts have been prepared in accordance with RAG 2.07 'Guideline for classification of costs across the price controls'.

The tables presented in section 2 of the Annual Performance Report have been prepared in accordance with our Accounting Separation Methodology Statement which is available on the company's website (www.hycymru.co.uk).

The methodology statement explains the bases for allocation of operating and capital expenditure and has been updated for changes to the requirements in the year. Wherever possible, direct costs and assets have been directly attributed to price controls. Where this is not possible, appropriate cost allocations have been applied as described in the methodology. Material changes to the allocation approach compared to the previous year are documented in the methodology statement.

2. Accounting policies

Basis of preparation

The regulatory financial statements are separate from the statutory financial statements of the company. They have been prepared on a going concern basis as set out in the Strategic Report of the Hafren Dyfrdwy Limited Annual Report and Accounts 2018 on page 13.

The regulatory financial statements have been prepared in accordance with Condition F of the Instruments of Appointment of the Water and Sewerage Undertakers and the Regulatory Accounting Guidelines as issued by the WSRA.

Revenue recognition

Turnover represents income receivable from regulated water and waste water activities, excluding value added tax.

Turnover includes an estimate of the amount of mains water and waste water charges unbilled at the year end. The accrual is estimated using a defined methodology based upon a measure of unbilled water consumed by tariff, which is calculated from historical billing information. There have been no changes in methodology in the year.

The Water Industry Act 2014, Chapter 1 A 'Licensing of Water Suppliers' describes the duties imposed on a water undertaker and the licence conditions involved. Regulated activities are consequently those activities that are necessary in order for the appointee to fulfil the functions and duties of a water undertaker.

Turnover is not recognised in respect of unoccupied properties. Properties are classified as unoccupied when:

- The company is informed that a customer has left a property and it is not expected to be reoccupied immediately;
- New properties are connected but are not occupied;
- Properties are disconnected following a customer's request; or
- The identity of the customer is unknown.

The following activities are undertaken to ensure properties classified as unoccupied are in fact not occupied:

- Where the company is informed that the customer has left a property and the property is expected to be occupied by someone else, a welcome letter is sent to the property encouraging the occupier to contact the company.
- If there is no response to the welcome letter within two months a void letter is sent to the property explaining that we have classified the property as empty and may schedule the property for disconnection.
- Meter readings are taken for metered unoccupied properties; where consumption is recorded, a letter is sent to the property.
- Inspections are organised throughout the year by geographical area.

Non-appointed income relates to waste water billing activities on behalf of United Utilities and Welsh Water customers.

Bad debts

Provisions are charged to operating costs to reflect the company's assessment of the risk of non-recoverability of debtors. Provisions are calculated based on the age of the debtor balance and the company's previous collection experience for balances of that age. The bad debt provisioning rates are updated annually to reflect the latest collection performance data from the company's billing system. Write-offs in relation to court or debt recovery costs are not included.

The company's bad debt write off policy has remained unchanged and has been consistently applied in the current and the prior years.

Debt can only be written off if it is a legitimate charge against the debtor (if it is considered that part or all of the debt is incorrect or unsubstantiated, then such elements are dealt with through the issue of a credit note) and if one of the following criteria is met:

- The customer does not have any assets or has insufficient assets on which to levy execution;
- The customer is bankrupt or has gone into liquidation and no dividend has been, or is likely to be, received;
- The customer has died without leaving an estate or has left an insufficient estate on which to levy execution and the company has been unable to prove its case in court; or
- All available economic options for collection of the debt have been pursued or that debt recovery procedures have proved to be ineffective or uneconomic to continue. Uneconomic circumstances are those where, following the application of debt recovery procedures:

- the customer could not be traced without incurring an unreasonable degree of expenditure; or
- the company has an insufficiently sound case to justify further expenditure on debt recovery procedures; or
- the likelihood of recovering the debt is so small in particular circumstances that further expenses on debt recovery cannot be justified.

The above write-off rules apply primarily to customers to whom the company has ceased to provide a service. Only in exceptional circumstances is debt relating to continuing customers considered for write-off.

Other accounting policies

All other accounting policies applied to the regulatory financial reporting accounts are set out in pages 35-38 of the Hafren Dyfrdwy Limited Annual Report and Accounts 2018, including the capitalisation policy which is outlined within the property, plant and equipment accounting policy note.

Current cost accounting

Although there is no longer a requirement to produce full current cost financial statements, the requirement to disclose summary current cost financial results has been retained in the Wholesale current cost financial performance table.

The capital maintenance charge has been calculated using current cost depreciation values in the current cost fixed asset register which is indexed annually and adjusted for additions.

3. Statement of directors' remuneration and standards of performance

Information regarding Directors' Remuneration can be found on pages 20-21 of the Hafren Dyfrdwy Limited Annual Report and Accounts 2018, including details of the link to performance, how remuneration was calculated and details of amounts paid. Further details in relation to outcomes against performance commitments are detailed in Section 3.

Section 2

Price control and additional segmental reporting

2A - Segmental income statement

Year ended 31 March 2018

Line description		Retail				Wholesale			Total
		Household	Non-Household	Water resources	Water Network+	Water Total	Waste water Network+	Sludge	
		£m	£m	£m	£m	£m	£m	£m	
2A.1	Revenue - price control	2.968	0.305		21.746	21.746	0.000	0.000	25.019
2A.2	Revenue - non price control	0.000	0.000		0.029	0.029	0.000	0.000	0.029
2A.3	Operating expenditure	(2.067)	(0.304)	(2.074)	(11.004)	(13.078)	0.000	0.000	(15.449)
2A.4	Depreciation - tangible fixed assets	(0.098)	0.000	(0.402)	(4.904)	(5.306)	0.000	0.000	(5.404)
2A.5	Amortisation - intangible fixed assets	(0.039)	0.000	0.000	0.000	0.000	0.000	0.000	(0.039)
2A.6	Other operating income	0.000	0.000	0.000	0.204	0.204	0.000	0.000	0.204
2A.7	Operating profit before recharges	0.764	0.001			3.595		0.000	4.360
A	Recharges in respect of 'principal use' assets								
2A.8	Recharges from other segments	(0.143)	(0.037)	(0.020)	0.000	(0.020)	0.000	0.000	(0.200)
2A.9	Recharges to other segments	0.018	0.000	0.000	0.182	0.182	0.000	0.000	0.200
2A.10	Operating profit	0.639	(0.036)			3.757		0.000	4.360
2A.11	Surface water drainage rebates								0.000

2B - Totex analysis (wholesale)

Year ended 31 March 2018

Line description		Water Resources	Water Network+	Waste water Network+	Sludge	Total
		£m	£m	£m	£m	£m
A Operating expenditure						
2B.1	Power	1.017	1.426	0.000	0.000	2.443
2B.2	Income treated as negative expenditure	0.000	0.000	0.000	0.000	0.000
2B.3	Abstraction charges/ discharge consents	0.828	0.005	0.000	0.000	0.833
2B.4	Bulk supply/ Bulk discharge	0.000	0.000	0.000	0.000	0.000
2B.5	Other operating expenditure - renewals expensed in year (Infrastructure)	0.000	0.786	0.000	0.000	0.786
2B.6	Other operating expenditure - renewals expensed in year (Non-Infrastructure)	0.001	0.088	0.000	0.000	0.089
2B.7	Other operating expenditure - excluding renewals	0.194	7.175	0.000	0.000	7.369
2B.8	Local authority and Cumulo rates	0.034	1.524	0.000	0.000	1.558
2B.9	Total operating expenditure excluding third party services	2.074	11.004	0.000	0.000	13.078
2B.10	Third party services	0.000	0.000	0.000	0.000	0.000
2B.11	Total operating expenditure	2.074	11.004	0.000	0.000	13.078
B Capital Expenditure						
2B.12	Maintaining the long term capability of the assets - infra	0.412	2.853	0.000	0.000	3.265
2B.13	Maintaining the long term capability of the assets - non- infra	0.584	7.954	0.000	0.000	8.538
2B.14	Other capital expenditure - infra	0.000	0.224	0.000	0.000	0.224
2B.15	Other capital expenditure - non-infra	0.000	3.238	0.000	0.000	3.238
2B.16	Infrastructure network reinforcement	0.000	0.000	0.000	0.000	0.000
2B.17	Total gross capital expenditure excluding third party services	0.996	14.269	0.000	0.000	15.265
2B.18	Third party services	0.000	0.000	0.000	0.000	0.000
2B.19	Total gross capital expenditure	0.996	14.269	0.000	0.000	15.265
C Grants and contributions						
2B.20	Grants and contributions	0.000	(0.829)	0.000	0.000	(0.829)
2B.21	Totex	3.070	24.444	0.000	0.000	27.514
D Cash Expenditure						
2B.22	Pension deficit recovery payments	0.001	0.409	0.000	0.000	0.410
2B.23	Other cash items	0.000	0.000	0.000	0.000	0.000
E Total						
2B.24	Totex including cash items	3.071	24.853	0.000	0.000	27.924

2C - Operating costs analysis (retail)

Year ended 31 March 2018

Line description		Household	Non-household	Total
		£m	£m	£m
Operating expenditure				
2C.1	Customer services	0.446	0.024	0.470
2C.2	Debt management	0.310	0.009	0.319
2C.3	Doubtful debts	0.446	0.198	0.644
2C.4	Meter reading	0.107	0.015	0.122
2C.5	Services to developers		0.009	0.009
2C.6	Other operating expenditure	0.758	0.049	0.807
2C.7	Total operating expenditure excluding third party services	2.067	0.304	2.371
2C.8	Third party services operating expenditure	0.000	0.000	0.000
2C.9	Total operating expenditure	2.067	0.304	2.371
2C.10	Depreciation - tangible fixed assets	0.098	0.000	0.098
2C.11	Amortisation - intangible fixed assets	0.039	0.000	0.039
2C.12	Total operating costs	2.204	0.304	2.508
2C.13	Debt written off	0.619	0.018	0.637

Differences between total operating costs and retail costs allowed in price limits

Retail operating expenditure excluding depreciation totals £2.371m for the period, 87% of which relates to Household customers. This is £0.674m lower than the Final Determination (FD) of £3.045m and is primarily driven by changes in the methodology earlier in the AMP which has increased costs allocated into the non-appointed business for waste-water supplies.

This year has seen the integration of Hafren Dyfrdwy into Severn Trent and led to a review of cost allocations to better reflect their true activity. The review has resulted to a higher cost allocated to Debt management compared to the PR14 submission accounting for a £0.109m increase in costs, as well as re-allocating general and support costs to Other operating expenditure which were previously recognised within Customer services costs. A review of bad debt provisioning has also led to an increase in Doubtful debt costs compared to the FD.

2D - Historic cost analysis of fixed assets

Year ended 31 March 2018

Line description	Wholesale			Sludge	Retail		Total
	Water Resources	Water Network+	Waste water Network+		Household	Non-Household	
	£m	£m	£m		£m	£m	
A Cost							
2D.1 At 1 April 2017	5.523	144.550	0.000	0.000	11.727	0.926	162.726
2D.2 Disposals	(0.779)	(12.922)	0.000	0.000	(3.002)	(0.270)	(16.973)
2D.3 Additions	0.996	12.191	0.000	0.000	0.060	0.000	13.247
2D.4 Adjustments	2.285	5.590	0.000	0.000	(7.219)	(0.656)	0.000
2D.5 Assets adopted at nil cost	0.000	0.000	0.000	0.000	0.000	0.000	0.000
2D.6 At 31 March 2018	8.025	149.409	0.000	0.000	1.566	0.000	159.000
B Depreciation							
2D.7 At 1 April 2017	(1.392)	(52.079)	0.000	0.000	(7.155)	(0.570)	(61.196)
2D.8 Disposals	0.736	12.914	0.000	0.000	3.050	0.273	16.973
2D.9 Adjustments	(0.203)	(3.339)	0.000	0.000	3.245	0.297	0.000
2D.10 Charge for the year	(0.402)	(4.904)	0.000	0.000	(0.098)	0.000	(5.404)
2D.11 At 31 March 2018	(1.261)	(47.408)	0.000	0.000	(0.958)	0.000	(49.627)
2D.12 Net book amount at 31 March 2018	6.764	102.001	0.000	0.000	0.608	0.000	109.373
2D.13 Net book amount at 1 April 2017	4.131	92.471	0.000	0.000	4.572	0.356	101.530
D Depreciation charge for year							
2D.14 Principal services	(0.402)	(4.904)	0.000	0.000	(0.098)	0.000	(5.404)
2D.15 Third party services	0.000	0.000	0.000	0.000	0.000	0.000	0.000
2D.16 Total	(0.402)	(4.904)	0.000	0.000	(0.098)	0.000	(5.404)

2E - Analysis of capital contributions & land sales (wholesale)

Year ended 31 March 2018

Line description	Fully recognised in income statement	Current year		Total
		Capitalised and amortised (in income statement)	Fully netted off capex	
	£m	£m	£m	£m
A Grants and contributions - water				
2E.1 Connection charges (s45)	0.035	0.743	0.000	0.778
2E.2 Infrastructure charge receipts (s146)	0.000	0.067	0.000	0.067
2E.3 Requisitioned mains (s43, s55 & s56)	0.000	0.000	0.000	0.000
2E.4 Other contributions (price control)	0.000	0.000	0.000	0.000
2E.5 Diversions (s185)	0.000	0.019	0.000	0.019
2E.6 Other contributions (non-price control)	0.000	0.000	0.000	0.000
2E.7 Total	0.035	0.829	0.000	0.864
2E.8 Value of adopted assets		0.000		0.000
B Grants and contributions - waste water				
2E.9 Infrastructure charge receipts (s146)	0.000	0.000	0.000	0.000
2E.10 Requisitioned sewers (s100)	0.000	0.000	0.000	0.000
2E.11 Other contributions (price control)	0.000	0.000	0.000	0.000
2E.12 Diversions (s185)	0.000	0.000	0.000	0.000
2E.13 Other contributions (non-price control)	0.000	0.000	0.000	0.000
2E.14 Total	0.000	0.000	0.000	0.000
2E.15 Value of adopted assets		0.000		0.000
		Current year		Total
		Water £m	Waste water £m	
C Movements in capitalised grants and contributions				
2E.16 Brought forward		10.634	0.000	10.634
2E.17 Capitalised in year		0.829	0.000	0.829
2E.18 Amortisation (in income statement)		(0.142)	0.000	(0.142)
2E.19 Carried forward		11.321	0.000	11.321
D Land sales				
2E.20 Proceeds from disposals of protected land		0.000	0.000	0.000

2F - Household revenues by customer type

Year ended 31 March 2018

Line description		Wholesale charges revenue	Retail revenue	Total revenue	Number of customers	Average household retail revenue per customer
		£m	£m	£m	000s	£
2F.1	Unmeasured water only customer	7.057	1.048	8.105	44.784	23.40
2F.2	Unmeasured waste water only customer	0.000	0.000	0.000	0.000	0.00
2F.3	Unmeasured water and waste water customer	0.000	0.000	0.000	0.000	0.00
2F.4	Measured water only customer	7.537	1.920	9.457	71.531	26.84
2F.5	Measured waste water only customer	0.000	0.000	0.000	0.000	0.00
2F.6	Measured water and waste water customer	0.000	0.000	0.000	0.000	0.00
2F.7	Total	14.594	2.968	17.562	116.315	25.52

Year ended 31 March 2018

Line description		Wholesale charges revenue	Retail revenue	Total revenue	Number of connections	Average non-household retail revenue per connection
		£m	£m	£m	000s	£
A	Non-Default tariffs					
2G.1	Total non-default tariffs		0.000	0.000	0.000	0.00
B	Default tariffs					
2G.2	Tariff band 01 - Unmeasured		0.071	0.013	0.084	30.02
2G.3	Tariff band 02 - Measured Less Than 50ML		4.803	0.278	6.969	39.89
2G.4	Tariff band 03 - Untreated measured Less Than 50ML		0.030	0.001	0.031	125.00
2G.5	Tariff band 04 - Large User		0.000	0.000	0.000	0.00
2G.6	Tariff band 05 - Measured 50ML - 250ML		2.008	0.009	2.017	529.41
2G.7	Tariff band 06 - Untreated measured Greater Than 50ML		0.205	0.004	0.209	1333.33
2G.8						
2G.9						
2G.10						
2G.11						
2G.12						
2G.13						
2G.14						
2G.15						
2G.16						
2G.17						
2G.18						
2G.19						
2G.20						
2G.21	Total default tariffs		7.117	0.305	7.422	41.05
2G.22	Total		7.117	0.305	7.422	41.05
					Number of customers	Average non-household retail revenue per customer
					000s	£
C	Revenue per customer					
2G.23	Total				7.430	41.05

2I - Revenue analysis and wholesale control reconciliation

Year ended 31 March 2018

Line description		Household £m	Non-household £m	Total £m
A Wholesale charge - water				
2I.1	Unmeasured	7.057	0.071	7.128
2I.2	Measured	7.537	7.046	14.583
2I.3	Third party revenue	0.000	0.035	0.035
2I.4	Total	14.594	7.152	21.746
B Wholesale charge - waste water				
2I.5	Unmeasured	0.000	0.000	0.000
2I.6	Measured	0.000	0.000	0.000
2I.7	Third party revenue	0.000	0.000	0.000
2I.8	Total	0.000	0.000	0.000
2I.9 Wholesale Total		14.594	7.152	21.746
C Retail revenue				
2I.10	Unmeasured	1.048	0.013	1.061
2I.11	Measured	1.920	0.287	2.207
2I.12	Other third party revenue	0.000	0.005	0.005
2I.13 Retail total		2.968	0.305	3.273
D Third party revenue - non-price control				
2I.14	Bulk Supplies - water			0.000
2I.15	Bulk Supplies - waste water			0.000
2I.16	Other third party revenue			0.029
E Principal services - non-price control				
2I.17	Other appointed revenue			0.000
2I.18 Total appointed revenue				25.048
		Water £m	Waste water £m	Total £m
2I.19	Wholesale revenue governed by price control	21.746	0.000	21.746
2I.20	Grants & contributions	0.810	0.000	0.810
2I.21 Total revenue governed by wholesale price control		22.556	0.000	22.556
2I.22	Amount assumed in wholesale determination	23.132	0.000	23.132
2I.23	Adjustment for in-period ODI revenue	0.000	0.000	0.000
2I.24	Adjustment for WRFIM	0.000	0.000	0.000
2I.25 Total assumed revenue		23.132	0.000	23.132
2I.26 Difference		(0.576)	0.000	(0.576)

2I - Revenue analysis and wholesale control reconciliation

Year ended 31 March 2018

Difference between allowed and Difference between allowed and actual revenue under the wholesale control

Wholesale revenue for 2017/18 of £22.6m is £0.6m (2.5%) lower than the amount assumed in the Wholesale Price Control;

- Core tariff revenue is £0.1m (0.6%) lower than the Wholesale Price Control, due to lower non-household consumption than forecast.
- Net capital revenue is £0.4m (35%) lower than the Wholesale Price Control. This is due to lower s146 infrastructure charges and new connections revenue than forecast.

2J - Infrastructure network reinforcement costs

Year ended 31 March 2018

Line description		Network reinforcement capex	On site/site specific capex (memo only)
		£m	£m
A	Wholesale water network+ (treated water distribution)		
2J.1	Distribution and trunk mains	0.000	0.011
2J.2	Pumping and storage facilities	0.000	0.000
2J.3	Other	0.000	0.000
2J.4	Total	0.000	0.011
B	Wholesale wastewater network+ (sewage collection)		
2J.5	Foul and combined systems	0.000	0.000
2J.6	Surface water only systems	0.000	0.000
2J.7	Pumping and storage facilities	0.000	0.000
2J.8	Other	0.000	0.000
2J.9	Total	0.000	0.000

Section 3

Performance summary

3A - Outcome Performance Table

Year ended 31 March 2018

Row	Unique ID	Performance commitment	Unit
1	PR14DVWWSW_A1	A1: Discoloured water contacts	nr
2	PR14DVWWSW_A2	A2: Mean zonal compliance (MZC)	%
3	PR14DVWWSW_A3	A3: Delivery of the outcomes of the Legacy water treatment works (south west Wrexham) major scheme	text
4	PR14DVWWSW_A4	A4: Delivery of the outcomes of the service reservoir water quality risk management schemes	text
5	PR14DVWWSW_B1	B1: Average duration of interruptions - 3 hours or longer (planned and unplanned interruptions)	time
6	PR14DVWWSW_B2	B2: Sustainable economic level of leakage	nr
7	PR14DVWWSW_B3	B3: Security of supply index (SOSI)	score
8	PR14DVWWSW_B4	B4: Number of bursts	nr
9	PR14DVWWSW_C1	C1: Gross operational greenhouse gas emissions	nr
10	PR14DVWWSW_D1	D1: Customers' perception based on market research	%
11	PR14DVWNHHR_F1	F1: Non-household Service incentive mechanism (SIM)	score
12	PR14DVWHHR_E1	E1: Per capita consumption and water efficiency	nr
13	PR14DVWHHR_E2	E2: Service incentive mechanism (SIM)	score

Table 3B – nil return

Table 3C – nil return

Unit description	Decimal places	2016-17 performance level - actual (for information)	2017-18 performance level - actual	2017-18 CPL met?	2017-18 outperformance payment or underperformance penalty - in-period ODIs (indicator)	2017-18 outperformance payment or underperformance penalty - in-period ODIs (£m, to 4 dp)
No. per 1,000 population	2	1.07	0.91	Yes	Outperformance payment	0.0025
Mean zonal compliance (%)	2	99.99	99.97%	No	Underperformance penalty deadband	0.0000
Pass/fail (until completion)	na	Pass	Complete	Yes	-	0.0000
Pass/fail (for each scheme)	na	Pass	Pass	No	-	0.0000
Hours / property / year	2	0.35	0.07	Yes	Outperformance payment	0.0209
Litres per property per day (l/prop/day)	1	96.5	92.5	No	Underperformance penalty	(0.0085)
Security of Supply Index (SOSI)	0	100	100	Yes	-	0.0000
No. of burst mains per year	0	209	243	No	Underperformance penalty deadband	0.0000
tCO2e	0	8385	7709	Yes		
% customer satisfaction	na	77	73%			
Service incentive mechanism (SIM) score	1	90.43	94	Yes	-	-
Litres per capita per day	2	135.21	136.57	No		
Service incentive mechanism (SIM) score	1	85.98	86.5	Yes	-	-

Note – We have restated our 2016/17 outturn leakage position following a review of the property number denominator. For details see page 9 of our [Annual Performance Report commentary](#).

3D – SIM Table

Year ended 31 March 2018

Line description	Score Number
A Qualitative performance	
3D.1 1st survey score	4.53
3D.2 2nd survey score	4.50
3D.3 3rd survey score	4.45
3D.4 4th survey score	4.31
3D.5 Qualitative SIM score (out of 75)	64.64
B Quantitative performance	
3D.6 Total contact score	61.85
3D.7 Quantitative SIM score (out of 25)	21.91
C SIM score	
3D.8 Total annual SIM score (out of 100)	86.55

Section 4

Additional regulatory information

4A - Non-financial information

Year ended 31 March 2018

Line description		Units	DPs	Current year	
				Unmeasured	Measured
Retail					
A	Household				
4A.1	Number of void households	000s	3	1.074	1.357
4A.2	Per capita consumption (excluding supply pipe leakage) l/h/d	l/h/d	2	154.58	122.80
				Water	Waste water
Wholesale					
B	Volume [ML/d]				
4A.3	Bulk supply export	ML/d	3	0.043	
4A.4	Bulk supply import	ML/d	3	0.020	
4A.5	Distribution input	ML/d	3	66.182	

4B - Wholesale totex analysis

Year ended 31 March 2018

Line description		Current year		Cumulative 2015-20	
		Water £m	Waste water £m	Water £m	Waste water £m
A	Actual totex				
4B.1	Actual totex	27.924	0.000	65.612	0.000
B	Items excluded from the menu				
4B.2	Third party costs	0.000	0.000	(0.018)	0.000
4B.3	Pension deficit recovery payments	(0.410)	0.000	(1.289)	0.000
4B.4	Other 'Rule book' adjustments	0.000	0.000	0.000	0.000
4B.5	Total items excluded from the menu	(0.410)	0.000	(1.307)	0.000
C	Transition expenditure				
4B.6	Transition expenditure	0.000	0.000	0.544	0.000
D	Adjusted Actual totex				
4B.7	Adjusted Actual totex	27.514	0.000	64.849	0.000
4B.8	Adjusted Actual totex base year prices	24.488	0.000	59.284	0.000
E	Allowed totex				
4B.9	Allowed totex based on final menu choice - base year prices	21.308	0.000	66.439	0.000

4B - Wholesale totex analysis

Year ended 31 March 2018

The PR14 final determination (FD) included total expenditure (totex) assumptions for the wholesale water service. Unlike previous price reviews, the FD did not include a breakdown by output or investment area for the entire programme. The only areas where specific investment FD assumptions were made relate to our Legacy water treatment works (WTW) and the service reservoir programme.

Last year, we reviewed actual expenditure relating to the Legacy WTW and made a £6.6m adjustment to the totex component of RoRE to reflect timing (delayed investment).

This year, we have successfully delivered the outcome so have reversed this timing adjustment. The service reservoir programme is progressing well so have not made any timing adjustment. The remaining variance reported on the table can be attributed to efficiency (finding better ways of delivering the outcomes our customers want or finding more efficient ways of delivering the same outcome).

4C - Forecast impact of performance on RCV

Year ended 31 March 2018

Line description	Water £m	Waste water £m
4C.1 Cumulative totex over/underspend so far in the price control period	(7.058)	0.000
4C.2 Customer share of cumulative totex over/underspend	0.000	0.000
4C.3 RCV element of customer share of cumulative totex over/underspend	(3.389)	0.000
4C.4 Adjustment for ODI rewards or penalties	0.000	0.000
4C.5 RCV determined at FD at 31 March	98.953	0.000
4C.6 Projected 'shadow' RCV	95.564	0.000

4D -Wholesale totex analysis (water)

Year ended 31 March 2018

Line description	Water resources			Network+			Total
	Abstraction licences	Raw water abstraction	Raw water transport	Raw water storage	Water treatment	Treated water distribution	
	£m	£m	£m	£m	£m	£m	
A Operating expenditure							
4D.1 Power	0.000	1.017	0.100	0.000	0.268	1.058	2.443
4D.2 Income treated as negative expenditure	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4D.3 Abstraction charges/ discharge consents	0.828	0.000	0.000	0.000	0.005	0.000	0.833
4D.4 Bulk supply	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4D.5 Other operating expenditure - renewals expensed in year (Infrastructure)	0.000	0.000	0.000	0.000	0.000	0.786	0.786
4D.6 Other operating expenditure - renewals expensed in year (Non-Infrastructure)	0.000	0.001	0.007	0.006	0.064	0.011	0.089
4D.7 Other operating expenditure - excluding renewals	0.002	0.192	0.222	0.111	4.213	2.629	7.369
4D.8 Local authority and Cumulo rates	0.000	0.034	0.326	0.095	0.237	0.866	1.558
4D.9 Total operating expenditure excluding third party services	0.830	1.244	0.655	0.212	4.787	5.350	13.078
4D.10 Third party services	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4D.11 Total operating expenditure	0.830	1.244	0.655	0.212	4.787	5.350	13.078
B Capital Expenditure							
4D.12 Maintaining the long term capability of the assets - infra	0.000	0.412	0.000	0.000	0.000	2.853	3.265
4D.13 Maintaining the long term capability of the assets - non-infra	0.000	0.584	0.069	0.000	6.750	1.135	8.538
4D.14 Other capital expenditure - infra	0.000	0.000	0.000	0.000	0.000	0.224	0.224
4D.15 Other capital expenditure - non-infra	0.000	0.000	0.000	0.000	3.038	0.200	3.238
4D.16 Infrastructure network reinforcement	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4D.17 Total gross capital expenditure (excluding third party)	0.000	0.996	0.069	0.000	9.788	4.412	15.265
4D.18 Third party services	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4D.19 Total gross capital expenditure	0.000	0.996	0.069	0.000	9.788	4.412	15.265
C Grants and contributions							
4D.20 Grants and contributions	0.000	0.000	0.000	0.000	0.000	(0.829)	(0.829)
4D.21 Totex	0.830	2.240	0.724	0.212	14.575	8.933	27.514
D Cash Expenditure							
4D.22 Pension deficit recovery payments	0.000	0.001	0.007	0.006	0.266	0.130	0.410
4D.23 Other cash items	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4D.24 Totex including cash items	0.830	2.241	0.731	0.218	14.841	9.063	27.924
E Unit cost information (operating expenditure)	Units						
4D.25 Licenced volume available	ML	39406					
4D.25 Volume abstracted	ML	24925					
4D.25 Volume transported	ML		24908				
4D.25 Average volume stored	ML			1619			
4D.25 Distribution input volume	ML				24029		
4D.25 Distribution input volume	ML					24156	
4D.26 Unit cost	£/ML	21.06	49.91	26.30	130.96	199.22	221.48
4D.27 Population	000s	261	261	261	261	261	261
4D.28 Unit cost	£/pop	3.18	4.77	2.51	0.81	18.34	20.50

Year ended 31 March 2018

[illegible]

4G - Wholesale current cost financial performance

Year ended 31 March 2018

Line description	Water	Waste water	Total
	£m	£m	£m
4G.1 Revenue	21.775	0.000	21.775
4G.2 Operating expenditure	(13.078)	0.000	(13.078)
4G.3 Capital maintenance charges	(7.029)	0.000	(7.029)
4G.4 Other operating income	0.204	0.000	0.204
4G.5 Current cost operating profit	1.872	0.000	1.872
4G.6 Other income	0.186	0.000	0.186
4G.7 Interest income	0.000	0.000	0.000
4G.8 Interest expense	(4.076)	0.000	(4.076)
4G.9 Other interest expense	0.300	0.000	0.300
4G.10 Current cost profit before tax and fair value movements	(1.718)	0.000	(1.718)
4G.11 Fair value gains/(losses) on financial instruments	0.000	0.000	0.000
4G.12 Current cost profit before tax	(1.718)	0.000	(1.718)

4H - Financial metrics

As at 31 March 2018

Line description		Units	Metric
A Financial indicators			
4H.1	Net debt	£m	66.458
4H.2	Regulated equity	£m	32.495
4H.3	Regulated gearing	%	67.16%
4H.4	Post tax return on regulated equity	%	-1.97%
4H.5	RORE (return on regulated equity)	%	8.80%
4H.6	Dividend yield	%	0.00%
4H.7	Retail profit margin - Household	%	4.35%
4H.8	Retail profit margin - Non household	%	0.01%
4H.9	Credit rating	Text	BBB+ (stable outlook)
4H.10	Return on RCV	%	3.39%
4H.11	Dividend cover	dec	0.00
4H.12	Funds from operations (FFO)	£m	6.717
4H.13	Interest cover (cash)	dec	4.11
4H.14	Adjusted interest cover (cash)	dec	1.72
4H.15	FFO/Debt	dec	0.10
4H.16	Effective tax rate	%	3.04%
4H.17	RCF	£m	6.717
4H.18	RCF/capex	dec	0.51
B Revenue and earnings			
4H.19	Revenue (actual)	£m	25.019
4H.20	EBITDA (actual)	£m	9.570
C Borrowings			
4H.21	Proportion of borrowings which are fixed rate	%	0.16%
4H.22	Proportion of borrowings which are floating rate	%	16.95%
4H.23	Proportion of borrowings which are index linked	%	82.89%
4H.24	Proportion of borrowings due within 1 year or less	%	12.52%
4H.25	Proportion of borrowings due in more than 1 year but no more than 2 years	%	0.00%
4H.26	Proportion of borrowings due in more than 2 years but no more than 5 years	%	0.00%
4H.27	Proportion of borrowings due in more than 5 years but no more than 20 years	%	87.48%
4H.28	Proportion of borrowings due in more than 20 years	%	0.00%

Movements in Return on Regulated Equity (RoRE) against the price review base RoRE

We have restated the RoRE reported in 2016/17 as our totex performance did not recognise that there was transition expenditure of £0.5m related to 2014/15 and we had chosen a different menu ratio than Ofwat had determined at the Final Determination (FD). On a cumulative basis totex performance was therefore 0.7% higher than reported in 2016/17.

Totex performance

Wholesale totex of £24.5m in 2012/13 prices is £3.5m (12%) lower than assumed in the FD. Totex performance has been adjusted for timing differences on our Legacy water treatment works as explained further in table 4B (wholesale totex analysis). After sharing with customers and adjusting for tax, £1.3m of totex performance has been recognised in RoRE.

Retail cost performance

Total retail cost performance after adjusting for tax results in outperformance of £0.3m.

RCV run off performance

The RCV run off impact on RoRE is calculated by comparing the difference in depreciation from spending above or below allowed expenditure. Cumulative expenditure is £7.7m lower than the FD, resulting in depreciation being lower than was assumed in the FD.

ODI performance

ODI performance is based on the notional penalty of £0.02m relating to our overall performance on supply interruptions and discoloured water contacts for the year.

Financing performance

Compared to the prior year our real cost of debt has fallen by 0.3%.

	Restated AMP6 to date 2016/17 RoRE %	2017/18 %	AMP6 to date %
Base return	5.8%	5.8%	5.8%
Totex performance	2.1%	4.0%	2.8%
Retail cost performance	1.1%	0.9%	1.0%
RCV runoff performance	(0.3%)	(0.7%)	(0.5%)
ODI performance	0.0%	0.1%	0.0%
Financing performance	(0.6%)	0.1%	(0.3%)
Regulatory return for the year	8.1%	10.2%	8.8%

Year ended 31 March 2018

[illegible]

4J - Atypical expenditure by business unit - Wholesale water

Year ended 31 March 2018

Line description	Water resources			Network+			Total
	Abstraction licences £m	Raw water abstraction £m	Raw water transport £m	Raw water storage £m	Water treatment £m	Treated water distribution £m	
A Operating expenditure (excl. atypicals)							
4J.1 Power	0.000	1.017	0.100	0.000	0.268	1.058	2.443
4J.2 Income treated as negative expenditure	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4J.3 Abstraction charges/ discharge consents	0.828	0.000	0.000	0.000	0.005	0.000	0.833
4J.4 Bulk supply	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Other operating expenditure							
4J.5 - Renewals expensed in year (Infrastructure)	0.000	0.000	0.000	0.000	0.000	0.786	0.786
4J.6 - Renewals expensed in year (Non-Infrastructure)	0.000	0.001	0.007	0.006	0.064	0.011	0.089
4J.7 - Other operating expenditure excluding renewals	0.002	0.192	0.222	0.111	4.213	2.629	7.369
4J.8 Local authority and Cumulo rates	0.000	0.034	0.326	0.095	0.237	0.866	1.558
4J.9 Total operating expenditure (excluding third party services)	0.830	1.244	0.655	0.212	4.787	5.350	13.078
4J.10 Third party services	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4J.11 Total operating expenditure	0.830	1.244	0.655	0.212	4.787	5.350	13.078
B Capital expenditure (excl. atypicals)							
4J.12 Maintaining the long term capability of the assets - infra	0.000	0.412	0.000	0.000	0.000	2.853	3.265
4J.13 Maintaining the long term capability of the assets - non-infra	0.000	0.584	0.069	0.000	6.750	1.135	8.538
4J.14 Other capital expenditure - infra	0.000	0.000	0.000	0.000	0.000	0.224	0.224
4J.15 Other capital expenditure - non-infra	0.000	0.000	0.000	0.000	3.038	0.200	3.238
4J.16 Infrastructure network reinforcement	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4J.17 Total gross capital expenditure excluding third party services	0.000	0.996	0.069	0.000	9.788	4.412	15.265
4J.18 Third party services	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4J.19 Total gross capital expenditure	0.000	0.996	0.069	0.000	9.788	4.412	15.265
4J.20 Grants and contributions	0.000	0.000	0.000	0.000	0.000	(0.829)	(0.829)
4J.21 Totex	0.830	2.240	0.724	0.212	14.575	8.933	27.514
C Cash expenditure (excl. atypicals)							
4J.22 Pension deficit recovery payments	0.000	0.001	0.007	0.006	0.266	0.130	0.410
4J.23 Other cash items	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4J.24 Totex including cash items	0.830	2.241	0.731	0.218	14.841	9.063	27.924
D Atypical expenditure							
4J.25 Pension Increase Exchange arrangement gain	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4J.26 Item 2	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4J.27 Item 3	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4J.28 Item 4	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4J.29 Item 5	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4J.30 Item 6	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4J.31 Item 7	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4J.32 Item 8	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4J.33 Item 9	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4J.34 Item 10	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4J.35 Total atypical expenditure	0.000	0.000	0.000	0.000	0.000	0.000	0.000
E Total expenditure							
4J.36 Total expenditure	0.830	2.241	0.731	0.218	14.841	9.063	27.924

4L - Enhancement expenditure by purpose - Wholesale water

As at 31 March 2018

Line description	Expenditure in		
	Water resources		
	Abstraction licences	Raw water abstraction	Raw water transport
	£m	£m	£m
A Enhancement expenditure by purpose			
4L.1 NEP - Making ecological improvements at abstractions (Habitats Directive, SSSI, NERC, BAPs)	0.000	0.000	0.000
4L.2 NEP - Eels Regulations (measures at intakes)	0.000	0.000	0.000
4L.3 Addressing low pressure	0.000	0.000	0.000
4L.4 Improving taste/odour/colour	0.000	0.000	0.000
4L.5 Meeting lead standards	0.000	0.000	0.000
4L.6 Supply side enhancements to the supply/demand balance (dry year critical/peak conditions)	0.000	0.000	0.000
4L.7 Supply side enhancements to the supply/demand balance (dry year annual average conditions)	0.000	0.000	0.000
4L.8 Demand side enhancements to the supply/demand balance (dry year critical/peak conditions)	0.000	0.000	0.000
4L.9 Demand side enhancements to the supply/demand balance (dry year annual average conditions)	0.000	0.000	0.000
4L.10 New developments	0.000	0.000	0.000
4L.11 New connections element of new development (CPs, meters)	0.000	0.000	0.000
4L.12 Investment to address raw water deterioration (THM, nitrates, Crypto, pesticides, others)	0.000	0.000	0.000
4L.13 Resilience	0.000	0.000	0.000
4L.14 SEMD	0.000	0.000	0.000
4L.15 NEP - Investigations	0.000	0.000	0.000
4L.16 Improvements to river flows	0.000	0.000	0.000
4L.17 Metering (excluding cost of providing metering to new service connections) - meters requested by optants	0.000	0.000	0.000
4L.18 Metering (excluding cost of providing metering to new service connections)- meters introduced by companies	0.000	0.000	0.000
4L.19 Metering (excluding cost of providing metering to new service connections) - other	0.000	0.000	0.000
Total enhancement capital expenditure	0.000	0.000	0.000

report year				Cumulative expenditure on schemes completed in the report year						
Network+				Water resources			Network+			
Raw water storage	Water treatment	Treated water distribution	Total	Abstraction licences	Raw water abstraction	Raw water transport	Raw water storage	Water treatment	Treated water distribution	Total
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	2.713	0.000	2.713	0.000	0.000	0.000	0.000	2.751	0.000	2.751
0.000	0.007	0.000	0.007	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	0.015	0.015	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	0.032	0.032	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.001	0.000	0.001	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.310	0.220	0.530	0.000	0.000	0.327	0.000	0.034	0.262	0.623
0.000	0.007	0.007	0.014	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	0.150	0.150	0.000	0.000	0.000	0.000	0.000	0.150	0.150
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	3.038	0.424	3.462	0.000	0.000	0.327	0.000	2.785	0.412	3.524

4P - Non-financial data for WR, WT and WD - Wholesale water

As at 31 March 2018

Line	Line description	Units	DPs	Current year
A	Water resources			
4P.1	Proportion of distribution input derived from impounding reservoirs	Propn 0 to 1	3	0.047
4P.2	Proportion of distribution input derived from pumped storage reservoirs	Propn 0 to 1	3	0.898
4P.3	Proportion of distribution input derived from river abstractions	Propn 0 to 1	3	0.000
4P.4	Proportion of distribution input derived from groundwater works, excluding managed aquifer recharge (MAR) water supply schemes	Propn 0 to 1	3	0.054
4P.5	Proportion of distribution input derived from artificial recharge (AR) water supply schemes	Propn 0 to 1	3	0.000
4P.6	Proportion of distribution input derived from aquifer storage and recovery (ASR) water supply schemes	Propn 0 to 1	3	0.000
4P.7	Number of impounding reservoirs	nr	0	5
4P.8	Number of pumped storage reservoirs	nr	0	2
4P.9	Number of river abstractions	nr	0	0
4P.10	Number of groundwater works excluding managed aquifer recharge (MAR) water supply schemes	nr	0	2
4P.11	Number of artificial recharge (AR) water supply schemes	nr	0	0
4P.12	Number of aquifer storage and recovery (ASR) water supply schemes	nr	0	0
4P.13	Total number of sources	nr	0	9
4P.14	Total number of water reservoirs	nr	0	12
4P.15	Total capacity of water reservoirs	ML	0	1868
4P.16	Total number of intake and source pumping stations	nr	0	4
4P.17	Total number of raw water transfer stations	nr	0	1
4P.18	Total capacity of intake and source pumping stations	kW	0	2685
4P.19	Total capacity of raw water transfer pumping stations	kW	0	225
4P.20	Total length of raw water mains and conveyors	km	2	47.91
4P.21	Average pumping head - resources	m.hd	2	55.22
4P.22	Average pumping head - raw water transport	m.hd	2	5.44
B	Water treatment			
4P.23	Total water treated at all SW simple disinfection works	ML/d	2	0.00
4P.24	Total water treated at all SW1 works	ML/d	2	0.00
4P.25	Total water treated at all SW2 works	ML/d	2	0.00
4P.26	Total water treated at all SW3 works	ML/d	2	1.93
4P.27	Total water treated at all SW4 works	ML/d	2	60.78
4P.28	Total water treated at all SW5 works	ML/d	2	0.00
4P.29	Total water treated at all SW6 works	ML/d	2	0.00
4P.30	Total water treated at all GW simple disinfection works	ML/d	2	0.00
4P.31	Total water treated at all GW1 works	ML/d	2	0.00
4P.32	Total water treated at all GW2 works	ML/d	2	0.00
4P.33	Total water treated at all GW3 works	ML/d	2	0.00
4P.34	Total water treated at all GW4 works	ML/d	2	3.66
4P.35	Total water treated at all GW5 works	ML/d	2	0.00
4P.36	Total water treated at all GW6 works	ML/d	2	0.00
4P.37	Total water treated at more than one type of works	ML/d	2	0.00
4P.38	Total number of SW simple disinfection works	nr	0	0
4P.39	Total number of SW1 works	nr	0	0
4P.40	Total number of SW2 works	nr	0	0
4P.41	Total number of SW3 works	nr	0	1
4P.42	Total number of SW4 works	nr	0	3
4P.43	Total number of SW5 works	nr	0	0
4P.44	Total number of SW6 works	nr	0	0
4P.45	Total number of GW simple disinfection works	nr	0	0
4P.46	Total number of GW1 works	nr	0	0
4P.47	Total number of GW2 works	nr	0	0
4P.48	Total number of GW3 works	nr	0	0
4P.49	Total number of GW4 works	nr	0	2
4P.50	Total number of GW5 works	nr	0	0
4P.51	Total number of GW6 works	nr	0	0
4P.52	Number of treatment works requiring remedial action because of raw water deterioration	nr	0	0
4P.53	Zonal population receiving water treated with orthophosphate	000	3	219,582
4P.54	Average pumping head - treatment	m.hd	2	14.54

4P - Non-financial data for WR, WT and WD (continued)

As at 31 March 2018

C	Water distribution			
4P.55	Total length of potable mains as at 31 March	km	1	2015.1
4P.56	Total length of mains relined	km	1	0.0
4P.57	Total length of mains renewed	km	1	5.5
4P.58	Total length of new mains	km	1	11.7
4P.59	Potable water mains (<320mm)	km	1	1969.7
4P.60	Potable water mains 320mm - 450mm	km	1	27.6
4P.61	Potable water mains 450mm - 610mm	km	1	17.3
4P.62	Potable water mains > 610mm	km	1	0.6
4P.63	Total length of non-potable and partially treated main for supplying customers	km	1	26.8
4P.64	Total length of non-potable and partially treated main for treatment	km	1	0.0
4P.65	Capacity of booster pumping stations	kW	0	4899
4P.66	Capacity of service reservoirs	ML	0	44
4P.67	Capacity of water towers	ML	0	0
4P.68	Distribution input	ML/d	2	66.18
4P.69	Water delivered (non-potable)	ML/d	2	0.89
4P.70	Water delivered (potable)	ML/d	2	58.67
4P.71	Water delivered (billed measured residential)	ML/d	2	19.48
4P.72	Water delivered (billed measured business)	ML/d	2	18.71
4P.73	Total leakage	ML/d	2	10.96
4P.74	Distribution losses	ML/d	2	7.26
4P.75	Water taken unbilled	ML/d	2	0.15
4P.76	Number of lead communication pipes	nr	0	30581
4P.77	Number of galvanised iron communication pipes	nr	0	5528
4P.78	Number of other communication pipes	nr	0	84176
4P.79	Number of booster pumping stations	nr	0	40
4P.80	Total number of service reservoirs	nr	0	29
4P.81	Number of water towers	nr	0	0
4P.82	Total length of mains laid or structurally refurbished pre-1880	km	1	29.4
4P.83	Total length of mains laid or structurally refurbished between 1881 and 1900	km	1	97.6
4P.84	Total length of mains laid or structurally refurbished between 1901 and 1920	km	1	66.0
4P.85	Total length of mains laid or structurally refurbished between 1921 and 1940	km	1	180.3
4P.86	Total length of mains laid or structurally refurbished between 1941 and 1960	km	1	353.6
4P.87	Total length of mains laid or structurally refurbished between 1961 and 1980	km	1	539.0
4P.88	Total length of mains laid or structurally refurbished between 1981 and 2000	km	1	449.5
4P.89	Total length of mains laid or structurally refurbished post 2001	km	1	299.7
4P.90	Average pumping head - distribution	m.hd	2	57.46
D	Band Disclosure (nr)			
4P.91	WTWs in size band 1	Nr	0	2
4P.92	WTWs in size band 2	Nr	0	1
4P.93	WTWs in size band 3	Nr	0	1
4P.94	WTWs in size band 4	Nr	0	0
4P.95	WTWs in size band 5	Nr	0	2
4P.96	WTWs in size band 6	Nr	0	0
4P.97	WTWs in size band 7	Nr	0	0
4P.98	WTWs in size band 8	Nr	0	0
E	Band Disclosure (%)			
4P.99	Proportion of Total DI band 1	%	1	5.0%
4P.100	Proportion of Total DI band 2	%	1	3.4%
4P.101	Proportion of Total DI band 3	%	1	11.3%
4P.102	Proportion of Total DI band 4	%	1	0.0%
4P.103	Proportion of Total DI band 5	%	1	80.3%
4P.104	Proportion of Total DI band 6	%	1	0.0%
4P.105	Proportion of Total DI band 7	%	1	0.0%
4P.106	Proportion of Total DI band 8	%	1	0.0%

4Q - Non-financial data - Properties, population and other

As at 31 March 2018

Line description		Units	DPs	Current year
A Properties and population				
4Q.1	Residential properties billed for measured water (external meter)	000	3	59.465
4Q.2	Residential properties billed for measured water (not external meter)	000	3	12.067
4Q.3	Business properties billed measured water	000	3	6.997
4Q.4	Residential properties billed for unmeasured water	000	3	44.787
4Q.5	Business properties billed unmeasured water	000	3	0.433
4Q.6	Total business connected properties at year end	000s	3	9.160
4Q.7	Total residential connected properties at year end	000s	3	118.770
4Q.8	Total connected properties at year end	000	3	127.930
4Q.9	Number of residential meters renewed	000	3	0.061
4Q.10	Number of business meters renewed	000s	3	0.011
4Q.11	Number of meters installed at request of optants	000	3	0.907
4Q.12	Number of selective meters installed	000	3	3.000
4Q.13	Total number of new business connections	000	3	0.030
4Q.14	Total number of new residential connections	000	3	0.379
4Q.15	Total population served	000	3	261.019
4Q.16	Number of business meters (billed properties)	000	3	9.084
4Q.17	Number of residential meters (billed properties)	000	3	71.532
4Q.18	Company area	km2	0	845
B Other				
4Q.19	Number of lead communication pipes replaced for water quality	nr	0	67
4Q.20	Total supply side enhancements to the supply demand balance (dry year critical/ peak conditions)	ML/d	2	0.00
4Q.21	Total supply side enhancements to the supply demand balance (dry year annual average conditions)	ML/d	2	0.00
4Q.22	Total demand side enhancements to the supply demand balance (dry year critical/ peak conditions)	ML/d	2	0.00
4Q.23	Total demand side enhancements to the supply demand balance (dry year annual average conditions)	ML/d	2	0.00
4Q.24	Energy consumption - network plus	MWh	0	13446
4Q.25	Energy consumption - water resources	MWh	0	7189
4Q.26	Energy consumption - wholesale	MWh	0	20636
4Q.27	Peak factor	%	2	116.13%
4Q.28	Mean Zonal Compliance	%	2	99.97%
4Q.29	Volume of Leakage above or below the sustainable economic Level	ML	3	0.800

4V - Operating costs analysis - water resources

Year ended 31 March 2018

Line	Item description	Unit	Impounding Reservoir	Pumped Storage	River Abstractions	Groundwater, excluding MAR water supply schemes	Artificial Recharge (AR) water supply schemes	Aquifer Storage and Recovery (ASR) water supply schemes	Total
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Water resources

A Opex analysis

4V.1	Power	£m	0.572	0.000	0.400	0.045	0.000	0.000	1.017
4V.2	Income Treated as negative expenditure	£m	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4V.3	Local authority and Cumulo rates	£m	0.018	0.000	0.014	0.002	0.000	0.000	0.034
4V.4	Other direct operating expenditure	£m	0.521	0.000	0.364	0.041	0.000	0.000	0.926
4V.5	Other indirect operating expenditure	£m	0.055	0.000	0.038	0.004	0.000	0.000	0.097
4V.6	Total operating expenditure (excluding 3rd party)	£m	1.166	0.000	0.816	0.092	0.000	0.000	2.074
4V.7	Depreciation	£m	0.226	0.000	0.158	0.018	0.000	0.000	0.402
4V.8	Total operating costs (excluding 3rd party)	£m	1.392	0.000	0.974	0.110	0.000	0.000	2.476

Line	Item description	Unit	Water resources	Raw water distribution	Water treatment	Treated water distribution	Total
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B Other expenditure - wholesale water

4V.9	Employment costs - directly allocated	£m	0.089	0.128	1.454	1.029	2.700
4V.10	Employment costs - indirectly allocated	£m	0.061	0.066	0.802	0.484	1.413
4V.11	Number FTEs consistent with 4V.9 above	Nr	3	5	57	40	105.226
4V.12	Number FTEs consistent with 4V.10 above	Nr	1	1	10	6	17.640
4V.13	Costs associated with Traffic Management Act	£m	0.000	0.000	0.000	0.025	0.025

C Service charges

4V.14	Canal & River Trust service charges and discharge consents	£m	0.000	0.000	0.005	0.000	0.005
4V.15	Environment Agency service charges/ discharge consents	£m	0.828	0.000	0.000	0.000	0.828
4V.16	Other service charges/permits	£m	0.000	0.000	0.000	0.000	0.000
4V.17	Statutory water softening	£m	0.000	0.000	0.000	0.000	0.000

Additional regulatory information

Supplementary disclosures

As at 31 March 2018

Information in respect of transactions during the year with any other business or activity of the appointee or any associated company

a) Borrowings and intercompany lending

Sums borrowed and repaid by the appointee during the year from associated companies were as disclosed in the table below:

	Amounts paid or received £m	Interest rates	Balance as at 31 March 2018 £m
Severn Trent Water Limited	Received 26.090	3.635%	0.000
Severn Trent Water Limited	Paid 20.800	3.635%	Payable 55.083

b) Transfer of assets/liabilities, omissions, waivers, guarantees

There were no transfers of assets or liabilities to associated companies and there were no guarantees were issued in favour of associated companies. There were no rights omitted to be exercised resulting in a reduction in the value of net assets of the company and no waivers of any consideration, remuneration, or any other payment receivable by the company.

c) Supply of services

There were no services supplied by the appointee to associated companies in the period.

Services supplied to the appointee by associated companies are outlined in the table below.

Service	Company	Turnover of associate in period £m	Terms of supply	Value £m
Pass through of management charges	Severn Trent Water Limited	1,606.933	Cost	1.405
Pass through of management charges	Severn Trent Plc	0.000	Cost	0.157
				1.562

d) Group relief charges for tax losses

No group relief was claimed from, or surrendered to, other group companies in the year.

