

# Regulatory Annual Performance Report Adjustments

## 2018/19 Regulatory Annual Performance Report

Following the publication of our 2018/19 Regulatory Annual Performance Report ('APR') in July 2019 and the subsequent review period by Ofwat, the below restatements have been made.

**Table 1F – Financial flows**

Signage errors were made in the calculation of the variance in corporation tax and cost of debt lines, impacting all years of the price review to date. Therefore, both the financial flows for the 12 months ended 31 March 2019 and for the price review to date have been restated and are presented below.

	%			£000		
	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
<b>12 months ended 31 March 2019</b>						
Regulatory return on equity	5.96	3.27	5.96	23,612	12,962	12,962
Actual performance adjustment 2010-2015	(0.29)	(0.16)	(0.29)	(1,165)	(640)	(640)
Adjusted return on regulatory equity	5.67	3.11	5.67	22,447	12,322	12,322
Regulatory equity	396,328	396,328	217,549	-	-	-
<b>Financing</b>						
Gearing	-	1.49	2.71	-	5,890	5,890
Variance in corporation tax	-	(0.38)	(0.68)	-	(1,488)	(1,488)
Group relief	-	-	-	-	-	-
Cost of debt	-	1.68	3.05	-	6,656	6,656
Hedging instruments	-	-	-	-	-	-
<b>Financing total</b>	<b>5.66</b>	<b>5.90</b>	<b>10.75</b>	<b>22,447</b>	<b>23,380</b>	<b>23,380</b>
<b>Operational Performance</b>						
Totex out / (under) performance	-	(2.12)	(3.86)	-	(8,394)	(8,394)
ODI out / (under) performance	-	(1.76)	(3.20)	-	(6,972)	(6,972)
Retail out / (under) performance	-	(0.60)	(1.10)	-	(2,385)	(2,385)
Other exceptional items	-	-	-	-	-	-
<b>Operational performance total</b>	<b>-</b>	<b>(4.48)</b>	<b>(8.16)</b>	<b>-</b>	<b>(17,751)</b>	<b>(17,751)</b>
Total earnings	5.66	1.42	2.59	22,447	5,629	5,629
RCV growth from RPI	3.06	3.06	3.06	12,110	12,110	6,647
Total shareholder return	8.72	4.48	5.65	34,557	17,739	12,276
Net dividend	4.00	-	-	15,853	-	-
Retained value	4.72	4.48	5.65	18,704	17,739	12,276
<b>Dividends reconciliation</b>						
Gross dividend	4.00	-	-	15,853	-	-
Interest receivable on intercompany loans	-	-	-	-	-	-
Net dividend	4.00	-	-	15,853	-	-

**Average 2015-2019**

	%			£000		
	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
Regulatory return on equity	6.08	3.50	6.08	23,598	13,622	13,622
Actual performance adjustment 2010-2015	(0.21)	(0.12)	(0.21)	(812)	(466)	(466)
Adjusted return on regulatory equity	5.88	3.38	5.88	22,786	13,156	13,156
Regulatory equity	388,064	388,064	223,933	-	-	-
<b>Financing</b>						
Gearing	-	1.40	2.42	-	5,414	5,414
Variance in corporation tax	-	(0.58)	(1.00)	-	(2,239)	(2,239)
Group relief	-	-	-	-	-	-
Cost of debt	-	(0.17)	(0.30)	-	(666)	(666)
Hedging instruments	-	-	-	-	-	-
<b>Financing total</b>	<b>5.88</b>	<b>4.03</b>	<b>7.00</b>	<b>22,786</b>	<b>15,665</b>	<b>15,665</b>
<b>Operational Performance</b>						
Totex out / (under) performance	-	(0.65)	(1.12)	-	(2,517)	(2,517)
ODI out / (under) performance	-	(0.75)	(1.30)	-	(2,911)	(2,911)
Retail out / (under) performance	-	(1.06)	(1.84)	-	(4,129)	(4,129)
Other exceptional items	-	1.55	2.67	-	6,008	6,008
<b>Operational performance total</b>	<b>-</b>	<b>(0.91)</b>	<b>(1.59)</b>	<b>-</b>	<b>(3,549)</b>	<b>(3,549)</b>
Total earnings	5.88	3.12	5.41	22,786	12,116	12,116
RCV growth from RPI	2.50	2.50	2.50	9,706	9,706	5,601
Total shareholder return	8.38	5.62	7.91	32,492	21,822	17,717
Net dividend	4.00	7.56	13.11	15,522	29,357	29,357
Retained value	4.38	(1.94)	(5.20)	16,970	(7,535)	(11,640)
<b>Dividends reconciliation</b>						
Gross dividend	4.00	7.56	13.11	15,522	29,357	29,357
Interest receivable on intercompany loans	-	-	-	-	-	-
Net dividend	4.00	7.56	13.11	15,522	29,357	29,357

## 2017/18 Regulatory Annual Performance Report

Following the publication of our 2017/18 Regulatory Annual Performance Report ('APR') in June 2018 and the subsequent review period by Ofwat, the below restatements have been made.

**Table 1F – Financial flows**

Along with the submission of other water companies' Financial Flows tables, Ofwat identified that companies had adopted different approaches in the preparation of the information and, as a result, the company has resubmitted the 2017/18 table below to Ofwat. Ofwat has indicated that the requirements for the publication of financial flows data will be refined for 2018/19 reporting.

	%			£		
	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
Regulatory return on equity	6.12	3.46	6.12	24,670,860.73	13,938,275.97	13,938,275.97
Actual performance adjustment 2010-2015	(0.23)	(0.13)	(0.23)	(921,658.00)	(520,708.37)	(520,708.37)
Adjusted return on regulatory equity	5.89	3.33	5.89	23,749,202.73	13,417,567.61	13,417,567.61
Regulatory equity base (£)	402,922,328	402,922,328	227,638,697	–	–	–
<b>Financing</b>						
Gearing	–	1.47	2.60	–	5,912,284.92	5,912,284.92
Variance in corporation tax	–	(0.04)	(0.08)	–	(179,550.19)	(179,550.19)
Group relief	–	–	–	–	–	–
Cost of debt	–	(1.10)	(1.94)	–	(4,418,092.23)	(4,418,092.23)
Hedging instruments	–	–	–	–	–	–
<b>Sub total</b>	<b>5.89</b>	<b>3.66</b>	<b>6.47</b>	<b>23,749,202.73</b>	<b>14,732,210.11</b>	<b>14,732,210.11</b>
<b>Operational Performance</b>						
Totex out / (under) performance	–	–	–	–	–	–
ODI out / (under) performance	–	(0.08)	(0.15)	–	(331,844.89)	(331,844.89)
Retail out / (under) performance	–	(0.63)	(1.12)	–	(2,538,754.20)	(2,538,754.20)
<b>Sub total</b>	<b>–</b>	<b>(0.71)</b>	<b>(1.26)</b>	<b>–</b>	<b>(2,870,599.09)</b>	<b>(2,870,599.09)</b>
Total earnings	5.89	2.94	5.21	23,749,202.73	11,861,611.02	11,861,611.02
RCV growth	3.74	3.74	3.74	15,052,569.97	15,052,569.97	8,504,238.13
Total shareholder return	9.63	6.68	8.95	38,801,772.70	26,914,181.00	20,365,849.15
Net dividend	4.00	11.16	19.76	16,116,893.10	44,980,648.96	44,980,648.96
Retained value	5.63	(4.48)	(10.81)	22,684,879.60	(18,066,467.97)	(24,614,799.81)
<b>Dividends reconciliation</b>						
Gross dividend	4.00	11.16	19.76	16,116,893.10	44,980,648.96	44,980,648.96
Interest receivable on intercompany loans	–	–	–	–	–	–
Net dividend	4.00	11.16	19.76	16,116,893.10	44,980,648.96	44,980,648.96

#### Table 4H - Post-tax return on regulated equity adjustment

The company used the projected 'shadow' RCV rather than the RCV published in our Final Determination as a basis for the calculation. We have corrected this and have revised our post-tax return on regulated equity from 10.40% to 10.10% in 2017/18.

#### Table 4P- Non-financial data for WR, WT and WD

Line 69 - Water delivered (non-potable). AFW-IAP-CA-012

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

Line 12 - Number of selective meters installed. AFW-IAP-CA-002

Line 16 - Number of business meters (billed properties). AFW-IAP-CE-010

Line 17 - Number of residential meters (billed properties). AFW-IAP-CE-010

Lines 24-26 - Energy consumption numbers. AFW-APR-CE-005

				Data originally submitted	Changes following Ofwat queries
				2017-18	2017-18
4P		<b>APR Table 4P: Non-financial data for WR, WT and WD</b>			
4P		Water distribution			
4P	4P.69	Water delivered (non-potable)	MI/d (2dp)	0.06	4.14
4Q		<b>APR Table 4Q: Non-financial data - Properties, population and other</b>			
4Q		Properties and population			
4Q	4Q.12	Number of selective meters installed	000s (3dp)	55.214	36.506
4Q	4Q.16	Number of business meters (billed properties)	000s (3dp)	64.733	56.291
4Q	4Q.17	Number of residential meters (billed properties)	000s (3dp)	860.486	822.727
4Q		Other			
4Q	4Q.24	Energy consumption - network plus	MWh (0dp)	186,931	195,143
4Q	4Q.25	Energy consumption - water resources	MWh (0dp)	47,581	33,185
4Q	4Q.26	Energy consumption - wholesale	MWh (0dp)	234,512	228,328

### 2016/17 Regulatory Annual Performance Report

#### Table 4H - Post-tax return on regulated equity adjustment

The company used the projected 'shadow' RCV rather than the RCV published in our Final Determination as a basis for the calculation. We have corrected this and have revised our post-tax return on regulated equity from 4.75% to 4.65% in 2016/17.

### 2015/16 Regulatory Annual Performance Report

#### Table 4H - Return on regulatory equity adjustment

Following the publication of our 2015/16 Regulatory Annual Performance Report ('APR') in June 2016, along with the publication of all other water companies' APRs, Ofwat identified that companies had adopted different approaches to calculate their Return on Regulated Equity ('RORE'). Ofwat has since published further guidance on how this metric should be calculated to align companies' interpretations. We have therefore recalculated our RORE using Ofwat's revised guidance and have adjusted our published RORE to 7.28% accordingly.

#### Table 4H - Post-tax return on regulated equity adjustment

A spreadsheet error in the calculation of post-tax return on regulated equity was identified following the publication of our APR. We have corrected this and have revised our post-tax return on regulated equity to 14.79%.