Anglian Water Services Financing Plc

Anglian Water Services Limited

Investor Report

For the six months ended 30 September 2022

Prepared in accordance with International Financial Reporting Standards (IFRS)

FINAL

Investor Report

Contents

love every drop
anglianwater

Basis of Preparation

All financial information in this report is unaudited and has been prepared in accordance with IFRS. The accounting policies used are consistent with those in the Statutory Accounts of Anglian Water Services Limited at 30 September 2022.

The information in this report is presented solely to comply with Schedule 11 of the Common Terms Agreement (CTA).

Disclaimer

Any forward-looking statements made in this document represent management's judgment as to what may occur in the future. However, the company's actual results for the current and future fiscal periods and corporate developments will depend on a number of economic, competitive and other factors including some which will be outside the control of the company. Such factors could cause the company's actual results for current and future periods to differ materially from those expressed in any forward looking statements made in this document. Unless otherwise required by applicable law, accounting standard or regulation, Anglian Water does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

General Overview and Business Update

This investor report covers the six months ended 30 September 2022.

1.0 Financial Performance for the six months ended 30 September 2022

Summary Underlying Results (AWS Financing Group)

The consolidated financial results for the six months ended 30 September 2022 are summarised below:

	2022 Total £m	2021 Total £m (restated)
Revenue (excl. grants and contributions)	716.0	655.2
Grants and contributions	44.9	48.7
Other operating income	7.7	7.2
Operating costs	(353.1)	(319.9)
Depreciation and amortisation	(184.2)	(171.7)
Operating profit	**231.3**	**219.5**
Finance income	6.7	0.4
Finance costs[1]	(342.9)	(198.5)
Underlying (loss)/profit before tax	**(104.9)**	**21.4**
Finance costs – fair value gains/(losses) on financial derivatives	663.9	(91.6)
Statutory profit/(loss) before tax	**559.0**	**(70.2)**
Tax charge	(139.5)	(324.6)
Profit/(loss) after tax	**419.5**	**(394.8)**

[1] In order to show pre-tax performance on an underlying basis the fair value losses on financial derivatives have been excluded from the underlying finance costs.

Revenue

Revenue, excluding grants and contributions, for the six months was £716.0 million (2021: £655.2 million), an increase of £60.8 million (9.3 per cent) on last year. The increase in revenue is as a result of the following factors:

- The price increase for customers following the regulatory pricing formula, £53.2 million increase.
- The impact of Covid-19 restrictions lifting, net £1.8 million increase. Household consumption down £4.1 million and non-household consumption up £5.9 million as we trend back to pre-Covid-19 levels of consumption.
- Other increases in revenue of £5.8 million including increases in customer numbers.

Grants and contributions represent the cash and asset contributions made principally by property developers and local authorities for connecting new property developments to the water and sewerage network, and for diverting existing infrastructure. The previous year saw a strong rebound in the housing market following the easing of lockdown. In the 6 months to 30 September 2022 construction, and demand for new housing, is returning to more normal levels, which sees income from grants and contributions reducing by £3.8 million compared to the same period last year.

The money Anglian Water can raise from bills, along with how much it is allowed to invest in its service, is decided every five years through Ofwat's price-setting process and set out in Anglian Water's Final Determination (FD).

Other operating income

Other operating income comprises primarily external income from power generation, bio-solid sales to farms, rents received and various other non-core activities; this was consistent with prior years.

Operating costs (including charge for bad and doubtful debts)

Operating costs including charges for bad and doubtful debt for the six months increased by £33.2 million (10.4 per cent) to £353.1 million. This increase is explained in the table below:

	Total
Prior period	315.3
Prior period Software as a Service restatement	4.6
Prior period restated	319.9
Funded by FD	
Inflation	26.7
Capitalisation of replacement infrastructure assets	(7.1)
Weather related	
Drought related expenditure	2.9
Bad debt provision	
Collection rates improvement	0.3
Reassessment of aged debt collection	(4.0)
Change on macroeconomic outlook	12.6
Power	
Self-generation	(3.8)
Non-commodity costs	(2.2)
Abstraction timing	(0.9)

Other significant items	
Fuel in excess of inflation	1.6
Chemicals in excess of inflation	4.8
Other	2.3
Total increase	33.2
September 2022	353.1

Prior year Software as a Service (SaaS) restatement

Our intangible asset accounting policy was amended in March 2022 to reflect the clarification by the International Financial Reporting Interpretations Committee (IFRIC) on the treatment of Software as a Service costs, meaning certain costs that were previously capitalised have been expensed. This has resulted in an increase to operating costs of £4.6 million at September 2021 compared to what was previously reported.

Inflation

The inflationary increases in our costs base formed part of the Final Determination and are therefore funded through the inflationary increases in revenues.

Capitalisation of replacement infrastructure assets

In order to improve efficiency, there was a change in the way we deliver boundary box and external meter chamber replacement in the second half of last year. As a result of the change in delivery, which has moved from individual jobs to a scheme of work, the cost of the scheme is above our de-minimus threshold for capitalisation, resulting in the costs being treated as capital expenditure rather than operational.

Weather related

The past six months has seen very little rainfall and as a result we have seen exceptionally dry ground conditions. This has meant we have seen increases in pumping costs as we move water round the region and also increased costs maintaining our leading leakage position as ground movements interfere with our infrastructure.

Bad debt provision

The increase in bad debt charge is primarily a result of two factors:

1. The reassessment of provision in our debt over 48 months old (£4.0 million reduction), as a result of continued positive collection in combination with a change to our write-off policy in April 2020.

2. In addition we estimate the impact of future macro-economic factors on our collection performance as required by IFRS 9. In September 2021 we released £6.6 million of this provision as the projected impact of Covid-19 on unemployment subsided. In the current period, given the cost of living crisis and latest unemployment forecasts we have increased the provision by £6.0 million resulting in a £12.6 million year-on-year movement.

Power

Power costs pre inflation have decreased compared to the six months to September 2021 as a result of the following three factors:

1. Power consumption in Water Recycling business unit was higher in the six months to September 2021 due to the lasting impacts of the wet weather in Winter 2020/21. In addition we have increased self-generation at our Water Recycling sites which has in turn reduced power usage.

2. Lower consumption in Water business unit in the period associated with the hot weather, as we were unable to abstract water from rivers due to low levels.

3. Non-commodity costs are lower than at a similar point last year as non-commodity costs reduced as a result of the increasing wholesale prices which have been hedged.

Other significant items

Other significant items primarily relate to costs that have risen above average inflation, such as fuel and chemicals.

EBITDA

Earnings before interest, taxes, depreciation and amortisation (EBITDA) is the profit from continuing operations before interest, tax, depreciation and amortisation. This has increased by 6.2 per cent to £415.5 million, which is consistent with the effect of the increases described above

Depreciation and amortisation

Depreciation and amortisation is up 7.3 per cent to £184.2 million, primarily as a result of higher fixed asset balances as we construct and commission assets in line with Anglian Water’s capital investment programme.

Operating profit

Operating profit has increased by 5.4 per cent to £231.3 million, which is consistent with the increase in EBITDA partially offset by the increase in depreciation.

Financing costs

Adjusted net finance costs (excluding fair value gains and losses on financial instruments), as defined in note 19, increased from £198.1 million in the six-month period to September 2021 to £336.2 million in the equivalent period in 2022. This was primarily the result of the non-cash impact of higher inflation on index-linked debt which increased by £176.3 million to £259.0 million. This increase was due to an increase in year-on-year average Retail Price Index (RPI) from 3.9% to 11.9% and year-on-year average Consumer Price Index (CPI) from 2.4% to 9.6%. We have both RPI-linked debt and CPI-linked debt to hedge the Regulated Capital Value (RCV).

There was a fair value gain of £663.9 million on derivative financial instruments in the six months to September 2022, compared with a loss of £91.6 million in the six months to September 2021. The fair value gains in the current year are predominantly non-cash in nature and have no material effect on the underlying commercial operations of the business. The driving factors for the gain in 2022 were primarily due to decreases in the average levels of forward inflation expectations, in combination with the rise in forward interest rates (decreasing the discounted present value of derivatives). During the period, forward inflation decreased by circa 29 basis points and forward interest rates increased by 274 basis points across the curves.

Taxation

The tax charge for the period comprises:

	Half-year Ended 30 Sept 2022 £m	Half-year Ended 30 Sept 2021 £m	Year ended 31 March 2022 £m
Current tax:			
In respect of the current period	**(8.7)**	(49.3)	(13.6)
Adjustments in respect of prior periods	**-**	-	(5.1)
Total current tax credit	**(8.7)**	(49.3)	(18.7)
Deferred tax:			
Origination and reversal of temporary differences	**148.2**	29.0	(25.9)
Adjustments in respect of previous periods	**-**	-	1.2
Increase in corporation tax rate	**-**	344.9	353.6
Total deferred tax charge	**148.2**	373.9	328.9
Total tax charge on profit on continuing operations	**139.5**	324.6	310.2

Compared to the same period in the previous year, the total tax charge has decreased by £185.1 million from a charge of £324.6 million to a charge of £139.5 million. This is primarily due to the impact the change in tax rate had on the deferred tax charge in the previous year, offset by an increase due to the higher gains on derivative movements in the current year

We are one of the largest private investors in infrastructure in our region, having invested just over £1 billion in the last two years. The Government actively encourages infrastructure investment and grants us capital allowances, which defer some of our corporation tax liabilities until a later period. Our customers directly benefit from the deferral as it helps to keep their bills lower.

As our deferred liability will not arise until after the new rate is in force in April 2023 we have to state the liability using the increased rate of 25%. This is represented by the £344.9m shown in last year’s comparative tax charge. This is therefore a non-cash tax charge. In addition, tax forms part of the revenue building block and therefore any future tax charges will be funded through revenues. Further, Ofwat introduced a tax true-up reconciliation in the current AMP to account for changes in tax rates.

In addition to the £139.5m tax charge on the income statement, there is a charge of £27.9m (2021: £4.8m) in the statement of other comprehensive income in relation to tax on actuarial losses on pension schemes and fair value gains on cash flow hedges.

Distributions available to the ultimate investors

The Directors do not propose to pay an interim dividend for the financial year to date. A £169.0 million prior year final dividend was paid in the period (2021: £96.3 million), reflecting the Company's dividend policy (which is explained below).

These dividends were paid in against a backdrop of an equity injection of £1,165.0 million in the prior period and results in a net equity injection for the AMP of £899.7 million. Through these capital injections the company continues to benefit from the strong support of shareholders.

The Board has an approved dividend policy, under which dividend payments are aligned to the performance of the business, taking into account commitments to customers and other stakeholders and ensuring that the company can finance its operations. Anglian Water aims to attract long-term shareholders who support its long-term ambitions (as reflected in the statement of Anglian Water's purpose which is set out in its Articles of Association). The support of our shareholders is critical to the success of our business and to securing the investment that Anglian Water needs.

Therefore, it is appropriate that our shareholders receive an appropriate return on their investment. This is delivered partly through long-term capital growth and partly through dividends.

The company's dividend policy is to identify the cash available for distribution, allowing for the business's liquidity requirements in respect of funding its operations and the capital programme, and servicing its debt for the next 18 months. When considering a dividend, the Directors consider the Business Plan, have regard to Anglian Water's purpose and reflect their duties under the company's Articles of Association.

An assessment is completed by the Board to determine if the payment or part payment of the dividend reflects and/or would compromise the long-term social, financial and operational commitments made to our stakeholders. Following this assessment and depending on the actual performance of Anglian Water, the Board can decide to increase or decrease any dividend payment from the base position. In assessing the dividend payment, the Directors review the business performance forecasts (currently to the end of the AMP period of 31 March 2025) and give consideration to the potential impact of external factors in the economy and regulatory environment on the company's forecast cash flows.

The dividend policy is also based on ensuring that there is adequate headroom in relation to all of Anglian Water's obligations to lenders, including commitments to comply with certain financial covenants. In particular, Anglian Water has committed to lenders that it will only pay dividends when key financial ratios are satisfied. Additionally, the policy sets out to ensure that key credit rating agency credit metrics required to support the capital structure as determined by the Board can be satisfied.

In its Articles of Association, the company has committed to conduct its business and operations for the benefit of members as a whole, while delivering long-term value for its customers, the region and the communities it serves and seeking positive outcomes for the environment and society. In making decisions (including decisions in relation to dividend payments), Directors are required to act in the way that is considered most likely to promote the purpose of the company. In doing so, Directors must have regard (among other things) to the likely consequences of any decision in the long term, the interests of the company's employees, relationships with suppliers, customers and others, and the impact of the company's operations on the community and the environment.

In considering whether the payment or part payment of the dividend is consistent with the long-term social, financial and operational commitments made to stakeholders, including customers, employees and pension fund holders, the Board has regard to the suite of Performance Commitments that the company has made, which include targets in relation to:

- Performance for customers (including, but not limited, to the customer measure of experience (CMeX) and the developer measure of experience (DMeX)).
- Operational commitments which are of importance to customers (including, but not limited to, commitments in relation to leakage, per capita consumption, water quality, interruptions to supply, and risk of low pressure).
- Wider social and environmental commitments (including, but not limited to, commitments in relation to vulnerable customers, sustainable abstraction, and community investment).

The overall amount of the company's ordinary dividends will not exceed the free cash flow (defined as operating cash flow less interest and capital maintenance payments) generated by Anglian Water, and in practice is limited by its current and forecast financial covenants. Special dividends may also be paid in addition to ordinary dividends, but these too are limited by specific financial covenant constraints. This policy is consistent with Condition F of the Licence. The full dividend policy is available on the Anglian Water website.

Continuing to deliver our AMP7 capital investment programme

2022/23 is the third year in the five-year AMP7 investment programme. Over the five years to 2025, we will invest a record £3.0 billion through our capital investment programme. This spend will help us achieve our Business Plan commitments and includes significant investments to ensure our region is resilient to the impacts of drought, climate change and population growth, alongside our largest ever programme of schemes delivering environmental protection.

Delivery against this investment programme remains strong with gross annual capital expenditure on a cash basis across the appointed business increasing from £228.7 million in the six months to 30 September 2021 to £289.0 million in the six months to September 2022 (£124.2 million on capital maintenance, £164.8 million on capital enhancement). This is broadly in line with management expectations and is particularly pleasing given the significant increase in the size of the programme compared to AMP6.

This has resulted in a £128.0 million increase in Property, plant and equipment and intangible assets, net of depreciation.

Financial needs and resources

During the six-month period to September 2022, Anglian Water issued a 10-year Canadian Maple Bond amounting to CA$350.0 million which was swapped to a sterling equivalent of £224.8 million.

Repayments of £308.3 million were made in respect of maturing debt, which consisted of a £250 million 5.837% fixed rate debt and £15 million 1.37% index-linked private placement, and amortising payments on EIB index-linked debt.

At 30 September 2022, Anglian Water had borrowings net of cash of £5,966.1 million (£6,345.3 million including the fair valuation of derivatives), an increase of £344.7 million (a decrease of £364.6 million including the fair value of derivatives) from 31 March 2022. The fair value of derivative financial liabilities was £515.5 million, excluding derivative financial assets of £136.3 million in respect of energy derivatives. Net borrowings of £5,966.1 million comprised fixed, index-linked and variable-rate debt of £6,506.3 million, leases of £33.5 million and cash and deposits of £573.7 million. The increase in net borrowings, excluding the fair value of derivatives, primarily reflects the higher accretion on index-linked debt. In addition to above, a £100 million CPIH index linked forward starting debt was transacted and proceeds received on 8 November. Due to the timing of proceeds, this was not included in the debt figures above.

The business generated cash from operations of £359.6 million in the period (2021: £361.3 million). The decrease primarily reflects short-term timing differences on working capital more than offsetting improvements in EBITDA described above.

Liquidity

The company’s objective is to maintain flexibility, diversification and continuity of funding through access to different markets and debt instruments. At 30 September 2022, Anglian Water held cash, deposits and current asset investments of £573.7 million (March 2022: £870.7 million). The decrease in cash amounts held is reflective of the higher debt repayments than new debt issuances in the period, the payment of the March 2022 final dividend and also the net of operational and residual investing and financing cashflows.

As at September 2022 Anglian Water has access to £600.0 million of undrawn facilities (March 2022: £600.0 million), to finance working capital and capital expenditure requirements. In addition, Anglian Water has access to a further £375.0 million of liquidity facilities (March 2022: £375.0 million), consisting of £254.0 million to finance debt service costs and £121.0 million to finance operating expenditure and maintenance capital expenditure in the event that the company was in an Event of Default on its debt obligations and had insufficient alternative sources of liquidity.

All bank facilities and debt capital market issuance are issued pursuant to the Global Secured Medium Term Note Programme dated 30 July 2002 between the company, AWSF and Deutsche Trustee Company Ltd (as agent and trustee for itself and each of the finance parties). This agreement provides that any facilities drawn by AWSF will be passed directly on to the company upon utilisation of the facility.

Interest rates

The company’s policy, as agreed by the Board, is to achieve a balanced mix of funding to inflation-linked, fixed and floating rates of interest. At 30 September 2022, taking into account interest rate swaps, 69.7 per cent (March 2022: 68.9 per cent) of the company’s borrowings were at rates indexed to inflation, 24.8 per cent (March 2022: 25.1 per cent) were at fixed rates and 5.5 per cent (March 2022: 6.0 per cent) were at floating rates. At 30 September 2022, the proportion of inflation debt to regulated capital value was 50.4 per cent (2021: 51.4 per cent).

Pension funding

At 30 September 2022, the closed defined benefit scheme had an IAS 19 accounting pension surplus (before deferred tax) of £124.2 million, compared to £163.4 million at 31 March 2022. This decrease in surplus reflects a decrease in the scheme's liabilities resulting from an increase in the corporate bond rate used to discount those liabilities on an accounting basis compared to a greater decrease in our assets which are hedging gilt-based liabilities.

Annual Performance Report

Under Condition F of its Licence, Anglian Water is obliged to provide the Water Services Regulation Authority, Ofwat, with additional accounting information to that contained in the statutory financial statements. This information is presented in the Annual Performance Report, a copy of which is available on the Anglian Water Services website: https://www.anglianwater.co.uk/about-us/our-reports.

2.0 Regulatory Update

Ofwat PR24 draft methodology

Ofwat published its Draft Methodology for the 2024 Price review on 7 July 2022.

The methodology highlighted Ofwat's four ambitions for PR24:

- The increased focus on the long term;
- Delivering greater environmental and social value;
- Reflecting a clear understanding of customers and communities; and
- Driving improvements through efficiency and innovation. Ofwat's draft methodology reinforces the need for a long term forward look.

The Draft Methodology also confirmed the expectation that companies will be required to publish a Long Term Delivery Strategy (LTDS) setting out their approach to adaptive planning to meet long-term (25-year) challenges alongside their PR24 submissions in October 2023.

It highlighted Ofwat's emerging expectations around the "quality" and "ambition" of companies plans. These are central to Ofwat's new Business Plan incentive framework for assessing companies' plans. Ofwat proposes to reveal the output of the assessment of company plans simultaneously with its Draft Determinations in Spring 2024.

Affordability remains a focus (and a test area for the quality of a plan). The challenge of balancing this short- and long-term affordability with the demands of future investments (such as maintenance and investment beyond WINEP) remains squarely with companies to resolve.

In a further effort to promote Nature Based solutions linked with on-going operating expenditure, Ofwat will consider adding these investments to companies' RCVs.

In terms of assessing the costs for environmental improvements, Ofwat:

• set expectations for companies to seek contributions from third parties and will take this into account when benchmarking enhancement expenditure;
• set an ask of companies to focus additional proposals (i.e. beyond WINEP) on reducing spills from storm overflow on addressing environmental harm from high priority sites; and
• proposed an approach for funding upgrades to wastewater sites to support nutrient neutrality.

On the outcomes framework, Ofwat highlighted its focus on common performance commitments and reducing the number of bespoke commitments in companies plans compared with PR19.

Ofwat proposed setting a catch-up for bioresources separate from that for Wastewater network plus. It also proposed including capital costs in the models it uses to determine revenue allowances, making price controls more akin to gate fees.

Ofwat consultation on changes to companies' licences to strengthen the regulatory ring-fence

In July Ofwat issued a formal consultation on changes to condition P of companies' licences. The proposed changes were to -

- Modify the cash lock-up licence condition to raise the cash lock-up trigger to BBB/Baa2 with negative outlook, effective from 1 April 2025
- Modify the dividend policy licence condition to require that dividend policies and dividends declared or paid should take account of service delivery for customers and the environment over time, current and future investment needs and financial resilience over the long term.

- Require companies to maintain investment grade issuer credit ratings with at least two credit rating agencies and to notify them of changes to credit ratings.

The consultation closed on 29 September and Anglian Water expect the modifications to be made before the end of 2022. It is possible some companies may appeal to the CMA against the changes.

Ofwat's regulatory framework and net zero

In January 2022, the Secretary of State for Business, Energy and Industrial Strategy issued an open letter to the Chief Executives of Ofgem, Ofwat, and Ofcom, outlining its strategic priorities for the utilities sectors. In particular, Ofwat was asked to consider the compatibility of its regulatory framework with the UK Government's Net Zero Strategy pathways to 2050 and interim carbon budgets. On 30 August, Ofwat published its response to that request, highlighting its proposals to incentivise companies to deliver on net zero though performance commitments on operational greenhouse gas emissions. It highlighted that under its approach it expects to see a diverse range of responses from individual companies based on local and regional factors and the specific focus of each business.

New chair and chief executive of Ofwat

Iain Coucher has been appointed as the new Chair of Ofwat and David Black has been appointed as the new permanent Chief Executive.

Iain is new to the water sector, but has significant infrastructure experience as former Chief Executive of Network Rail and a Non-Executive Director at Cadent Gas. Most recently he has been the CEO of the Atomic Weapons Establishment. In his interview with the EFRA Select Committee prior to his appointment being formalised, he talked about his priorities being: continuing the progression of PR24; addressing CSOs and the environmental performance of companies; addressing the financial position of some companies and; increasing the focus on long-term planning.

David Black has been at Ofwat since 2012 and held the role of acting Chief Executive since April 2021 following the resignation of Rachel Fletcher.

Government storm overflow plan

The UK Government published the Storm Overflow Plan on 26 August, setting out new targets to reduce the frequency and impact of storm overflow discharges. The plan also highlights expectations around some broader issues, as well as detailing legislative changes brought forward to support the plan.

Under the plan:

- Water companies will only be permitted to discharge from a storm overflow where they can demonstrate that there is no local adverse ecological impact. The target must be achieved for at least 75% of storm overflows discharging in or close to high priority sites by 2035, for all storm overflows discharging to high priority sites by 2045 and for remaining storm overflows by 2050.

- Water companies must significantly reduce harmful pathogens from storm overflows discharging into and near designated bathing waters to meet Environment Agency spill standards by 2035

- Storm overflow discharges are not permitted above 10 rainfall events per overflow per year by 2050.

- Water companies will be required to ensure all storm overflows have screening controls.

In addition, the Plan sets out that companies should have maps of their sewer networks. Their Drainage and Wastewater Management Plans should demonstrate how companies will comply with these new targets, and there should be a year-on-year reduction in the amount of surface water connected to the combined sewer network.

The Plan also sets out the legislative changes required or being considered to support the plan, including: bringing forward secondary legislation in the Environment Act (Sections 81 and 82) and requiring publication of EDM data and monitoring of water quality.

National Infrastructure Assessment - focus on long term asset health

The National Infrastructure Commission (NIC) is looking at the long-term replacement rates of the pipelines of Water and Sewerage companies. The data is being collected to feed the upcoming National Infrastructure Assessment covering all utilities and transport infrastructure. It likely the new assessment, when published, will find replacement rates to be unsustainably low across the country, and potentially make recommendations to rectify this. The same issue was featured in a report from WaterUK. This has the potential to become a factor in PR24 thinking.

Water companies' environmental incentives to support more water efficient new homes

On 7 September, Ofwat published a review of water companies’ environmental incentives (such as charging discounts) to support more water efficient new homes. The report highlights a range of approaches that water companies use to encourage better environmental outcomes. Ofwat’s intention is to strengthen the use and effectiveness of these incentives and to inform how they should be regulated from April 2025. Anglian Water's 'Enabling Water Smart Communities' innovation fund project is referenced as an area of good practice along with a number of others. The report also highlights those companies that offer incentives for developers to build homes that consume less water, beyond that required by building regulations.

Investigation into sewage treatment works
In March 2022, Ofwat opened enforcement cases into five water companies (Anglian Water, Northumbrian Water, Thames Water, Wessex Water, Yorkshire Water) as part of its wastewater treatment works investigation. In June 2022, an additional enforcement case was opened into South West Water. Ofwat is now in the process of analysing the information submitted by all companies and continuing analysis of wider datasets such as data on storm overflow spills.

3.0 Service Performance Overview

Anglian Water's service principal remains key to how Anglian Water work, its aim is to make lives better for its customers, every single day.

Driven by insight Anglian Water have embedded a model of continuous agile change where challenges and opportunities are reviewed and prioritised at an enterprise level.

This year has seen the introduction of the new proactive 'On my Way' messaging and new WhatsApp customer contact channel. Both have been well received by Anglian Water customers with improved customer satisfaction scores as a result.

Anglian Water has extended its external partnership working to a wide range of more than 150 organisations such as Kidney Care UK, Carers First, Emma's diary and Utilities against scams amongst others. Anglian Water has also continued its work with local councils in the region, helping to distribute their Household support funding to customers struggling to keep on top of their water bills.

With its increasing use of information and technology Anglian Water now have a self-serve version of its inhouse extra-care assessment tool which helps customers maximise their income by targeting concessionary tariffs and signposting to 3rd sector support. Bringing assessments in-house has meant that Anglian Water are better able to control the process, giving the ability to port data from the gov.co.uk website and give customers the support they need on their first contact.

This year to date Anglian Water have been able to provide financial support through its wide-ranging support schemes to over 250,000 customers and expect this to be close to 300,000 by the year end. It's not just about financial assistance though as Anglian Water continue to promote its priority service register offering lots of practical help and support to a wide range of customers. From coloured, large or talking bills, to help reading meters or bottle water in the event of a supply interruption its support services can be tailored to the individual. Over 300,000 customers have registered so far with this number growing each month. It's not just about the number though which is why Anglian Water are proud to say it has again achieved the BS 18477 in Inclusive Service Provision, and hope over coming months to attain further certification in the transition to the new international standard ISO22458.

Anglian Water continue to exploit its use of technology with its speech and digital analytics where Anglian Water are able to identify and address service improvement opportunities such as staff training, new improved bill formats, new contact channels i.e. WhatsApp and video sign language.

To keep customers' bills as affordable as possible Anglian Water continue to invest in and increase its automation and self-serving contact channels. Year to date Anglian Water have seen an overall 8% increase in these channels with a 41% increase in customers choosing to submit meter readings and change their payment amounts.

4.0 Capital Expenditure

2022/23 is the third year in the five-year AMP7 investment programme. Over the five years to 2025, we will invest a record £3.0 billion through our capital investment programme. This spend will help us achieve our Business Plan commitments and includes significant investments to ensure our region is resilient to the impacts of drought, climate change and population growth, alongside our largest ever programme of schemes delivering environmental protection.

Delivery against this investment programme remains strong with gross annual capital expenditure across the appointed business increasing from £228.7 million in the six months to 30 September 2021 to £289.0 million in the six months to September 2022 (£124.2 million on capital maintenance, £164.8 million on capital enhancement). This is broadly in line with management expectations and is particularly pleasing given the significant increase in the size of the programme compared to AMP6.

5.0 Water Quality and Environmental Performance

Anglian Water is governed by a wide range of legislation covering quality of drinking water, discharges to the environment, waste disposal, water abstraction, access to land and environmental protection. The key regulators are the Drinking Water Inspectorate (DWI), the Environment Agency (EA) and Natural England (formerly English Nature). There is also close liaison with Environmental Health Officers and Consultants in Communicable Disease Control within the UK Health Security Agency and other environmental bodies.

Drinking Water

Maintaining supplies of high-quality drinking water is Anglian Water's biggest priority, and there is engagement and investment from source to tap to maintain and improve on its performance. 2021 was Anglian Water's best-ever year for acceptability customer contacts, meaning that the number of contacts Anglian Water received from customers about the appearance, taste and odour of their water was the lowest ever, at 1.03 customer contacts per 1,000 customers. Anglian Water are performing well in this area again in 2022 with its acceptability score to end of September at 0.81 contacts per 1,000 customers. However Anglian Water have a very challenging ODI performance commitment, which was set at 0.93 contacts per 1,000 customers.

The Compliance Risk Index (CRI) is the headline water quality measure used by the DWI and Anglian Water's score to the end of September 2022 is estimated at 3.24. This is higher than Anglian Water would like it to be and was impacted predominantly by an increased number of water quality exceedances from its water treatment works. To swiftly address this, Anglian Water have instigated an improvement programme that is aimed at reducing the number of water quality exceedances from its assets.

Anglian Water have achieved excellent progress with the use of flow cytometry (bacteriological monitoring) at its assets as part of its improvement programme, using both laboratory-based and online instrumentation. Anglian Water have developed industry-leading dashboards which flag changes at assets to its Water Quality Risk team for investigation, which is a critical step in the shift from reactive to proactive interventions.

Another key water quality measure is the Event Risk Index (ERI) and Anglian Water are performing very well against this measure in 2022 with an estimated score to end of September 2022 of 1.53 which reflects its continued efforts to minimise adverse impacts to water quality on the rare occasions when failures do occur.

Water Recycling

The EA reported Anglian Water's 2021 pollution performance in July 2022, confirming a two-star rating in its annual Environmental Performance Assessment for 2021. The two-star rating was due to one of the six metrics having a red status for serious pollutions. The extreme rainfall event between January and March 2021 had a significant adverse effect resulting in a higher number of serious pollutions. The full strategic review has been making significant improvements in driving forward performance particularly around serious pollutions and compliance and Anglian Water have continued to engage positively with EA colleagues.

The Flow to Full Treatment (FFT) investigation

There have been further information requests from Ofwat, which have all been responded to and Anglian Water have complied with all S108 requests as part of the Environment Agency's operational Standard. Anglian Water has met with the Ofwat team in July and September 2022.

Environment

Defra confirmed in January 2022 that 32 'Excellent' bathing water designations had been achieved across the region. Of particular note was the transformation in quality achieved in Southwold following the innovative trial of an alternative disinfection system. Anglian Water hope to extend the use of this system more broadly, including potentially to enable new inland bathing water stretches.

Anglian Water has continued to outperform and deliver early on its WINEP obligations, including a significant increase in the number of event duration monitors (EDMs) on storm overflows. Anglian Water now have 79.6% of its storm overflows with an EDM installed. The average number of spills per overflow has reduced over the last few years, as has the average duration of each spill. The average spill per storm overflow stands at 25 per overflow at a duration of 232 hours in 2021 and Anglian Water are seeing a further downward trend in 2022. Although the dry weather has had an influence on spill numbers, the focus on improving monitoring accuracy, developing reporting logic and using innovative devices to monitor the network has also led to a decrease in spill numbers. Ever increasing delivery of additional EDMs will provide the opportunity to continue to understand the issue around overflows and ensure that action can be targeted to drive continued environmental improvement.

Anglian Water publish EDM data on its website for stakeholders and customers to view in line with the Environment Act. This year Anglian Water have created a map to make the data more customer friendly and allow interactivity for them to explore their area and find out what environmental improvements Anglian Water are carrying out in their area.

Water Resources

The East of England has experienced below average rainfall over the last six months (specifically six consecutive months of below average rainfall between March – August 2022). This has also corresponded with extremely hot spells over the Summer 2022 period with record high temperatures recorded in parts of the region (greater than 40 degrees). The six month average rainfall levels for the East of England are only 66% of the long-term average (LTA).

Despite this, Anglian Water have not experienced any problems with the provision of water services during this period and have not needed to put in place any drought related restrictions, such as temporary use bans (TUBS) aka. hosepipe bans. For reference, a number of other water companies have had to put in place customer restrictions/TUBS during the period from March – September 2022, specifically Thames Water, Southern Water, South East Water, South West Water, Welsh Water and Yorkshire Water. Six companies have also submitted drought permit applications to the Environment Agency.

Currently, overall reservoir levels are now at 69% and where possible Anglian Water has implemented its river support sources to maintain abstraction at its reservoir river intakes. River flows remain low at Anglian Water's direct river intakes however all are above their Hands Off Flows (HOFs) or Minimum Residual Flows (MRFs). Groundwater remains at below normal levels where there have been a limited number of low-level cut-outs which are being managed locally. Overall, there are currently no supply issues associated with low reservoir levels, groundwater levels and low river flows at Anglian Water's direct intakes.

Anglian Water currently class its region to be in "potential drought" status. Anglian Water are following its Drought Plan 2022 and have enacted a number of appropriate actions as the companies drought status has changed. For example;

- Anglian Water convened its Drought Management Team in July 2022 to coordinate its regional response.
- Anglian Water have also had significant national engagement including: Attendance at National Drought Group and Sub-Groups to understand the wider water resources situation and ensure alignment of actions across the industry; Engagement with the Environment Agency and Natural England and Continued communication with neighboring water companies and other abstractions, in particular the National Farmers Union (NFU).

Anglian Water published its draft Water Resources Management Plan 2024 to Defra on 3rd October 2022 which sets out how Anglian Water will manage the water supplies in its region to meet current and future needs over a minimum of 25 years. This is an ambitious plan with demand management at its heart but also sets out the need for two large-scale, multisector reservoirs in Lincolnshire and the Fens. Anglian Water will be holding a formal public consultation on the plan over the next few months.

Anglian Water is continuing to work closely with the EA to review abstraction licences to ensure sustainable abstraction across its region, where Anglian Water has agreed to reduce the amount of water that is taken from the environment by 85 million litres a day by 2025. As an example, following the closure of Ludham borehole source in March 2021, significant major infrastructure work has been progressing in relation to Anglian Water's East Ruston and Witton borehole sources to allow these sources to close in June 2024, further improving the environment in the Ant, Broads and Marshes SSSIs. Anglian Water has continued to focus on abstraction licence compliance with a strong performance recorded over the last 6 month period.

6.0 Financing

CTA gross debt increased by £175.4 million from March 2022 as a result of a Canadian Maple bond issuance of CAD350.0 million (swapped to a sterling equivalent of £224.8 million) and high inflation increasing the principal on index-linked debt. This was partially offset by the repayment of a £250.0 million bond which matured during the period and amortising principal payments on the EIB debt. At September 2022, Anglian Water only had Class A debt outstanding.
A £100 million Green CPIH loan with Macquarie was priced in September 2022 with drawdown in November 2022. In October 2022, a USPP of £266.5 million was priced to refinance the November 2022 accretion paydowns on the Freshwater Bond.

Credit ratings as at 30 September 2022 were as follows:

Fitch Ratings:	A-; (stable outlook)
Standard and Poor's:	A-; (stable outlook)
Moody's:	A3; (stable outlook) Corporate Family Rating A3

On 20th October 2022, S&P changed the outlook on Anglian Water Services Ltd A- rating from stable to negative outlook due to concerns over inflationary pressure.

In October S&P have been reviewing most companies in the water sector and have downgraded Northumbrian Water and Thames Water from BBB+ to BBB , in addition to several other companies being placed on negative watch alongside AWS.

7.0 Dividends

In the six months ended 30 September 2022 dividends of £169.0 million have been paid out of the Anglian Water Services Financing Group to the Company's direct parent, AWG Group Limited (2021: £96.3 million).

8.0 Significant Board / Management Changes

As at 30 September 2022, the of Board of Anglian Water Services Limited comprised:

John Hirst, CBE	Independent Non-Executive Chairman	
Natalie Ceeney, CBE	Independent Non-Executive Director	
Dame Polly Courtice, DBE, LVO	Senior Independent Non-Executive Director	
Zarin Patel	Independent Non-Executive Director	
Paul Whittaker	Independent Non-Executive Director	
Peter Simpson	Chief Executive Officer	) Executive
Steve Buck	Chief Financial Officer	) Executive
John Barry	Non-Executive Director	
Alex Nassuphis	Non-Executive Director (appointed 28 September 2022)	
Batiste Ogier	Non-Executive Director	
Duncan Symonds	Non-Executive Director	
Niall Mills	Non-Executive Director (resigned 28 September 2022)	

Anglian Water is managed by the AWS Management Board, which, as at 30 September 2022, in addition to the Executive Directors referred to above, included:

Susannah Clements	Group People and Change Director
Brian Ebdon	Director of Strategic Planning and Performance
Iain Fry	Director of Information Services
Pete Holland	Director of Customer and Wholesale Services
Ciaran Nelson	Director of Brand and Communications
Alex Plant	Director of Strategy and Regulation
Robin Price	Director of Quality and Environment
Ian Rule	Director of Water Services
Claire Russell	Legal Director / Company Secretary
Emily Timmins	Director of Water Recycling Services
Jason Tucker	Director of Strategic Delivery and Commercial Assurance

Anglian Water Services Financing Plc – Board Changes

As at 30 September 2022, the Board of Anglian Water Services Financing Plc comprised:

John Hirst, CBE Independent Non-Executive Chairman
Natalie Ceeney, CBE Independent Non-Executive Director
Dame Polly Courtice, DBE, LVO Senior Independent Non-Executive Director
Zarin Patel Independent Non-Executive Director
Paul Whittaker, Independent Non-Executive Director[1]
Peter Simpson Chief Executive Officer) Executive
Steve Buck Chief Financial Officer) Executive
Jane Pilcher[2]
Alex Plant[3]

[1]After completing a nine-year tenure as independent non-executive director, Paul Whittaker, stepped down from the Boards of AWS and AWSF on 13 October 2022. Colin Matthews and Alistair Philip-Davies were appointed as independent non-executive directors of AWS and AWSF on 23 November 2022.

[2]Jane Pilcher stepped down as Group Treasurer for Anglian Water Group Limited and its subsidiaries (together the "**Group**") on 31 October 2022. Accordingly, she resigned as director of AWSF on that date and AWG's new Group Treasurer, Fraser Campbell, was appointed as a director of AWSF with effect from 1 November 2022.

[3]Alex Plant has tendered his resignation to the Group and will take up the role of Chief Executive Officer at Scottish Water. Alex leaves Anglian Water on 31 March 2023 and his successor to the AWSF Board will be a Group employee who has yet to be determined.

Anglian Water will be holding a virtual meeting for investors on 8th December 2022.

9.0 Sustainable Financing

Background

Anglian Water have developed a framework under which it can issue sustainable transactions, green and/ or social finance to finance their Asset Management Plan for the period 2020–2025 (AMP7). For AMP7 it has separated its eligible capital expenditure into 11 sustainable categories. The framework aligns with the ICMA Green Bond Principles 2018, the Social Bond Principles 2020 and the Sustainability Bond Guidelines 2018, as published by the International Capital Market Association ("ICMA"). The framework also aligns with the Loan Market Association's ("LMA") Green Loan Principles 2020.

It is Anglian Water's intention to follow, where possible, best practices in the market as the standards develop. In addition, it is closely monitoring the European Union (EU) classification of environmentally sustainable economic activities (the European Union Green Taxonomy), as well as the EU Green Bond Standard Principles when these enter into force. Anglian Water will be able to issue various funding instruments referred to as sustainable transactions in this document, including but not limited to Green, Social and Sustainability Bonds, private placements, bank facilities and leases.

The annual Sustainable Finance Impact Report 2022 was published on Anglian Water's website and can be found here: sustainable-finance-impact-report-2022.pdf (awg.com)

As of 30 September two sustainable debt instruments remained in the ringfenced account including the Biodiversity Bond 2026 $35m and the Green Bond 2032 C$350m with proceeds equivalent to £250m of which £130m had been drawn.

Ofwat Interconnector Programme and the Strategic Pipeline Alliance

In August, Anglian Water issued its first corporate green bond in the Canadian 'maple' bond market – becoming the first UK company to do so. Sustainable finance is key to Anglian Water's investments: in 2021/22raised all debt through sustainable finance, saving more than 180,000 tonnes of carbon through Green Bond-funded projects, which also improved resilience to climate change , water quality at source, and biodiversity.

The C$350 million bond raised will specifically fund Anglian Water's Strategic Pipeline (SPA), which is delivering a brand new network of hundreds of kilometres of large-scale interconnecting pipelines to move water to drier areas of the region. SPA is the biggest infrastructure programme in Anglian Water's history and one of the largest infrastructure projects in the UK. The aim of these projects is to improve the climate resilience of water supplies across the region, keeping customers' taps running and toilets flushing for years to come.

With the driest July on record since the 1911 and the driest summer since 1976, schemes like SPA – which ensure resilience to drought for future generations and mean Anglian Watercan continue supporting customers, businesses and food production in the region – could not be more important.

Ratios

1.0 Historical & Current Test Period

Anglian Water confirms that in respect of the year ended 31 March 2022 (in accordance with the CTA, the 6 months to 30 September 2022 is not a test period), by reference to the most recent financial statements that it is obliged to deliver in accordance with Paragraph 1 (Financial Statements) of Part 1 (Information Covenants) of Schedule 5 (Covenants) of the CTA:

		Actual 31 Mar 2022
a)	The Class A RAR	**64.8%**
b)	The Senior RAR	**64.8%**
c)	The Class A ICR	**4.0:1**
d)	The Class A PMICR[1]	**N/A**
e)	The Senior PMICR[1]	**N/A**
f)	The ratio of Net Cash Flow minus Capital Maintenance Expenditure to Class A Debt Interest	**2.6:1**
g)	The Conformed Class A PMICR	**1.8:1**
h)	The Conformed Senior PMICR	**1.7:1**
i)	The Additional Senior RAR[2]	**64.8%**
j)	The Additional Conformed Senior PMICR[2]	**1.7:1**
k)	The Additional Conformed Senior Average PMICR[2]	**1.8:1**

[1] CCD and IRC are no longer used as the depreciation of RCV

[2] New requirement in the Class B accession deed

2.0 Forward Looking

Anglian Water confirms that each of the above Ratios, the Conformed Class A Average PMICR, the Conformed Senior Average PMICR and the Additional Conformed Senior Average PMICR have been calculated in respect of each of the Test Periods for which they are required under the Common Terms Agreement (i.e. 31 March 2022 to 31 March 2025) and that none of those ratios have breached the Trigger Event Ratio Levels or caused Paragraph 20 (Ratios) of Schedule 7 (Events of Default) of the Common Terms Agreement to be breached. Forward looking calculations in respect of the periods to 31 March 2025 are based on Anglian Water's current Business Plan.

3.0 Computations

Set out in sections 4.0 and 5.0 are the details necessary to make the computations.

Anglian Water also confirms that:

(a) no Default or Potential Trigger Event is outstanding; and

(b) Anglian Water Services Limited insurances are being maintained in accordance with:

(i) Schedule 16 (Insurances) of the Common Terms Agreement; and

(ii) the provisions of the Finance Leases.

4.0 Interest Cover Ratios (ICR)

Interest Cover Ratios	**Trigger/Default**	**Actual Period to 31 Mar 22**
		£m
Income		**1,358.8**
Operating Expenditure		**(609.0)**
Pre-capital maintenance cashflows		**749.8**
Capital Maintenance Expenditure		**(269.2)**
Depreciation		***(413.4)***
Post-Maintenance cashflow for PMICR		***336.4***
Post-Maintenance cashflow for Net Cash Flow ratio		**480.6**
Net Interest		**(203.0)**
Enhancement Capital Expenditure		**(248.2)**
Premium paid on bond buyback		**(14.5)**
Ordinary Dividends		**(96.3)**
Shareholder reinvestment		**1,165.0**
Pre-financing cashflows		**1,077.8**
Interest Payable on Class A Debt:		
Finance Leases		**(0.6)**
Class A Bonds		**(183.9)**
MBIA Wrap Fees		**(2.6)**
Less Interest Receivable		**0.9**
Total net Class A debt interest		**(186.2)**
Interest Payable on Class B Debt		
Class B Bonds		**(16.8)**
Total Net Interest payable on Senior Debt		**(203.0)**
Interest Cover Ratios:		
Class A ICR	1.6:1	**4.0:1**
Conformed Senior PMICR	1.1:1	**1.7:1**
Conformed Class A PMICR	1.3:1	**1.8:1**
Ratio of Net Cash Flow minus Capital Maintenance Expenditure to Class A Debt Interest	1.0:1	**2.6:1**
Additional Conformed Senior PMICR	1.3:1	**1.7:1**
Additional Conformed Senior Average PMICR	1.4:1	**1.8:1**

5.0 Regulatory Asset Ratios (RAR)

Regulatory Asset ratios	Trigger/Default	As at 31 Mar 22 £m
Class A Gross Debt:		
Finance Leases		**(0.0)**
Class A Bonds etc		**(6,564.5)**
Total Class A Gross Debt		**(6,564.5)**
Less cash balances and Authorised Investments		**870.1**
Total Class A Net Debt		**(5,694.4)**
Class B		**0.0**
Total Senior Net Debt		**(5,694.4)**
Regulatory Asset Value (RAV)		**8,791.6**
Regulatory Asset ratios:		
Senior RAR	85.0%	**64.8%**
Class A RAR	75.0%	**64.8%**
Additional Senior RAR	75.0%	**64.8%**

6.0 *Regulatory Performance*[1]

Regulatory Performance Data		As at 31-Mar-22 £m
Allowed Totex (Water Resources)	17/18 prices	50.3
Allowed Totex (Water Network)	17/18 prices	462.4
Allowed Totex (Waste Water Network)	17/18 prices	552.1
Allowed Totex (Bio-resources)	17/18 prices	86.0
Total FD Allowed Totex for PAYG	17/18 prices	1150.8
FD PAYG %		
PAYG % Water Resources	17/18 prices	76.8%
PAYG % Water Network	17/18 prices	47.1%
PAYG % Waste Water Network	17/18 prices	36.2%
PAYG % Bio-resources	17/18 prices	77.3%
FD fast money		
Allowed Water Resources fast money	17/18 prices	38.6
Allowed Water Network fast money	17/18 prices	217.8
Allowed Waste Water Network fast money	17/18 prices	199.6
Allowed Bio-resources fast money	17/18 prices	66.4
Total fast money	17/18 prices	522.5
Total fast money	Outturn prices	567.1
Inflation to outturn prices		1.1
FD slow money		
Allowed Water Resources slow money	17/18 prices	11.7
Allowed Water Network slow money	17/18 prices	244.6
Allowed Waste Water Network slow money	17/18 prices	352.5
Allowed Bio-resources slow money	17/18 prices	19.6
Total slow money	17/18 prices	628.3
Total slow money	Outturn prices	682.0
G&C - Opex	Outturn prices	(0.3)
G&C - Capex	Outturn prices	(50.2)
Total fast + slow money (net of G&C)	Outturn prices	1249.1
Retail Opex	Outturn prices	76.7
Total Appointed Totex	Outturn prices	1325.8
FD tax		
Tax in revenue building block	17/18 prices	-
Tax in revenue building block	Outturn prices	-
Pension		
Pension deficit payments	17/18 prices	23.3
Pension deficit payments	Outturn prices	25.3
Comparison FD wholesale allowances vs actual spend		
FD fast money (net of G&C, excluding pensions)	Outturn prices	566.8
FD pension deficit payments	Outturn prices	25.3
FD slow money (net of G&C)	Outturn prices	631.8
FD fast + slow money (FD totex, net of G&C)	Outturn prices	1223.9
Actual opex (net of G&C, excluding pensions)/*forecast*	Outturn prices	547.4
Actual capex (net of G&C)	Outturn prices	504.6
Actual opex + capex (actual totex net of G&C, excluding pensions)	Outturn prices	1052.0
Disallowed costs	Outturn prices	(1.3)
Transitional expenditure	Outturn prices	-
Actual pension deficit payments[3]	Outturn prices	12.9
Retail capex[4]	Outturn prices	6.5
Actual opex minus FD fast money	Outturn prices	(7.8)
Actual capex minus FD slow money	Outturn prices	(127.2)
Actual opex + capex minus FD fast + slow money= (totex underspend)/totex overspend[5]	Outturn prices	(135.0)
Calculation of RCV		
Closing RCV	Outturn prices	8,791.6
Totex cumulative overspend to clawback (table 4c in APR)	Outturn prices	(3.0)
Blind year adjustment		19.2
Shadow RCV	Outturn prices	8,807.8

[1] Regulatory performance data is not updated at half year.

7.0 Anglian Water Services Group – Movements in Debt Balances

CTA Gross Debt	Closing Balance 31 Mar 2022 £m	New Issues £m	Repayment £m	Indexation £m	**Closing Balance 30 September 2022 £m**
Operating Leases (Vehicles)	5.2	0.8	(1.0)		**5.1**
Transferring Bonds:					
6.875% Fixed 2023	200.0			0.0	**200.0**
6.625% Fixed 2029	200.0			0.0	**200.0**
A4 Notes - 5.837% Fixed 2022	250.0		(250.0)	0.0	**0.0**
A6 Notes - 3.07% ILLS 2032	352.6			18.5	**371.1**
A7 Notes - 3.07% ILLS 2032	105.4			2.6	**108.0**
A8 Notes - 6.293% Fixed 2030	246.0			0.0	**246.0**
A11 Notes - 3.666% ILLS 2024	132.2			6.9	**139.2**
A18 Notes - 2.4% ILLS 2035	665.8			46.2	**712.0**
A19 Notes - 1.7% ILLS 2046	79.1			4.2	**83.3**
A20 Notes - 1.7% ILLS 2046	79.4			3.5	**82.9**
A21 Notes - 1.7146% ILLS 2056	63.6			3.6	**67.2**
A22 Notes - 1.6777% ILLS 2056	79.5			4.5	**84.1**
A23 Notes - 1.7903% ILLS 2049	95.2			5.3	**100.5**
A24 Notes - 1.3825% ILLS 2056	79.6			3.6	**83.2**
A25 Notes - 1.3784% ILLS 2057	159.1			7.3	**166.4**
A26 Notes - SONIA Plus 0.34%	100.0			0.0	**100.0**
A27 Notes - 1.449% ILLS 2062	111.1			3.9	**115.0**
A28 Notes - 1.52% ILLS 2055	74.2			2.6	**76.8**
A30 Notes - SONIA Plus 0.85%	110.0			0.0	**110.0**
A33 Notes - 6.875% Fixed 2034 Private Placement	25.0			0.0	**25.0**
A35 Notes - £130M 2.262% IL Bond 2045	189.3			13.0	**202.3**
Index Linked Swaps	141.6			87.9	**229.5**
European Investment Bank £75m 0.53% index linked amortising term facility 2027	50.4		(5.3)	3.4	**48.4**
European Investment Bank £75m 0.79% index linked amortising term facility 2027	50.4		(5.3)	3.4	**48.4**
Sub Total	**3,644.8**	**0.8**	**(261.6)**	**220.4**	**3,604.4**

love every drop anglianwater

Cont'd	Closing Balance 31 Mar 2022 £m	New Issues £m	Repayment £m	Indexation £m	**Closing Balance 30 September 2022 £m**
A38 Notes - £250m 4.5% 2027	250.0			0.0	**250.0**
A39 Notes - £31.9m 4.0% Private Placement 2022	31.9			0.0	**31.9**
A40 Notes - £73.3m 4.4% Private Placement 2028	73.3			0.0	**73.3**
A41 Notes - £50m 2.05% IL Private Placement 2033	66.1			4.5	**70.6**
A42 Notes - £15m 1.37% IL Private Placement 2022	19.8		(20.9)	1.0	**0.0**
A45 Notes - £22.3m 4.0% Private Placement 2022	22.3			0.0	**22.3**
European Investment Bank £150m 0% index linked amortising term facility 2028	117.4		(10.3)	7.9	**115.0**
B46 Notes - £200m Class B 4.5% 2026	200.0			0.0	**200.0**
A47 Notes - £35m 1.141% IL Bond 2042	45.3			3.1	**48.5**
A48 Notes - US$170m 3.84% Private Placement 2023	110.5			0.0	**110.5**
A49 Notes - £93m 3.537% Private Placement 2023	93.0			0.0	**93.0**
European Investment Bank £65m 0.41% index linked amortising term facility 2029	57.6		(4.4)	3.9	**57.2**
European Investment Bank £125m 0.1% index linked amortising term facility 2029	117.3		(8.3)	8.0	**117.0**
European Investment Bank £60m 0.01% index linked amortising term facility 2030	59.8		(3.9)	4.1	**59.9**
A51 Notes - £55m 2.93% Private Placement 2026	55.0			0.0	**55.0**
A52 Notes - $150m 3.29% Private Placement 2026	104.3			0.0	**104.3**
A53 Notes - £35m 1.35% Private Placement 2031	35.0			0.0	**35.0**
A54 Notes - £20m 2.93% Private placement 2026	20.0			0.0	**20.0**
B55 Notes - £200m 2.625% Class B 2027	200.0			0.0	**200.0**
A56 Notes - £250m 1.625% Green Bond 2025	250.0			0.0	**250.0**
A57 Notes - £300m 2.75% Green Bond 2029	300.0			0.0	**300.0**
A58 Notes - £85m 2.880% Private Placement 2029	85.0			0.0	**85.0**
A59 Notes - £25m 3.00% Private Placement 2031	25.0			0.0	**25.0**
A60 Notes - US$53m 3.053% Private Placement 2029	40.1			0.0	**40.1**
A61 Notes - £65m 2.870% Private Placement 2029	65.0			0.0	**65.0**
A62 Notes - JPY7bn 0.855% 2039	50.9			0.0	**50.9**
£550m RCF 2024	0.0			0.0	**0.0**
£50m bilateral facility 2024	0.0			0.0	**0.0**
Export Development Canada £100m 1.588% term loan facility 2024	100.0			0.0	**100.0**
A88 Notes - £65m 0.835% IL Bond 2040	68.6			3.8	**72.3**
A64 Notes - £50m 1.760% 2035	50.0			0.0	**50.0**
A65 Notes - JPY7bn 0.85% 2040	50.4			0.0	**50.4**
Just Retirement £26.1m 0.010% term loan facility 2035	27.9			1.1	**29.0**
BP Pension Trustees £26.1m 0.010% term loan facility 2035	27.9			1.1	**29.0**
A66 Notes - £35m 2.14% 2036	35.0			0.0	**35.0**
A67 Notes - £40m 2.14% 2036	40.0			0.0	**40.0**
A68 Notes - US$35m 1.16% 2036	25.5			0.0	**25.5**
A69 Notes - CAD350m 4.525% 2032	0.0	224.8		0.0	**224.8**
Total[1]	**6,564.6**	**225.6**	**(309.3)**	**259.0**	**6,739.9**

[1]Before accounting adjustments which are not within CTA definition of Net Debt and not including Other Leases

8.0 Anglian Water Services Group – Profit & Loss Account

Summary Underlying Results (AWS Group)

The consolidated financial results for the six months ended 30 September 2022 are summarised below:

	Six months ended 30 Sept 2022 Total £m	Six months ended 30 Sept 2021 Total £m
Revenue (excl. grants and contributions)	716.0	655.2
Grants and contributions	44.9	48.7
Other operating income	7.7	7.2
Operating costs	(353.1)	(319.9)
Depreciation and amortisation	(184.2)	(171.7)
Operating profit	231.3	219.5
Finance income	6.7	0.4
Finance costs [1]	(342.9)	(198.5)
Underlying profit/(loss) before tax	**(104.9)**	**21.4**
Finance costs – fair value gain/(loss) on financial derivatives	**663.9**	**(91.6)**
Statutory profit/(loss) before tax	**559.0**	**(70.2)**
Tax charge	**(139.5)**	**(324.6)**
Profit/(loss) after tax	**419.5**	**(394.8)**

[1] In order to show pre-tax performance on an underlying basis the fair value losses on financial derivatives have been excluded from the underlying finance costs.

9.0 Anglian Water Services Group – Balance Sheet

At 30 September 2022

		£m	£m	£m
Non-current assets				
Intangible assets				236.3
Property, plant and equipment				10,413.8
Derivative financial instruments classified as current and non-current assets				321.4
Retirement benefit surpluses				156.6
Net current liabilities excluding cash and debt repayable in less than one year				(145.2)
Retirement benefit obligations				(32.4)
Derivative financial instruments classified as current and non-current liabilities				(700.6)
Creditors amounts falling due after more than one year excluding debt				(1633.2)
Cash and cash equivalents	Payments Account	345.9		
	Capex Reserve	119.9		
	Tax reserve	40.0		
	Debt Service	67.9	573.7	
Financing liabilities	Bonds (excluding accrued interest)	(6,506.3)		
	Leases	(33.5)		
			(6,539.8)	
	Net Debt (excluding derivatives)			(5,966.1)
Net assets				2,650.6

Capital and reserves		
	Share capital	32.0
	Share premium	1,165.0
	Dividend paid	(169.0)
	Reserves b/f	1,117.0
	Actuarial losses on pension schemes	(42.9)
	Income tax on items that will not be reclassified	11.3
	Income tax on items that may be reclassified	(39.2)
	Profit for the period	419.5
	Gains on cash flow hedges	156.0
	Gains on cost of hedging reserve	0.9
Capital and reserves		2,650.6

10.0 Anglian Water Services Group – Calculation of Annual Finance Charge

Instrument	Actual Interest Paid to 30 Sep 22 £m	Actual Interest Paid to 30 Sep 21 £m	Actual Interest Paid to 31 Mar 22 £m
Class A Debt			
AAA Wrapped Bonds	21.8	21.3	29.3
A-Bonds	77.9	73.0	134.7
US Private Placements	11.5	13.8	20.0
Leases	0.0	0.0	0.5
Other	1.7	2.5	2.6
Class B Debt			
US Private Placements[1]	0.0	16.8	16.8
Annual Finance Charge	**112.9**	**127.4**	**203.9**

The Annual Finance Charge represents cash interest payable by Anglian Water Services Financing Plc for each of the actual periods set out above.

[1]The Actual Interest Paid figure in 2021/2022 figures does not include 'make-whole' payment of £14.5m included in the IFRS accounts which was paid to allow for the early repayment of three US Private Placement Class B debt items. This amount is not classified as interest for covenant calculation purposes.

11.0 Anglian Water Services Group – Derivatives Mark to Market Valuation

Derivative Counterparties Mark to Market Valuations as at 30/09/22

External Swap Counterparties	Nominal Amount £m	MTM Positive Values £m	MTM Negative Values £m	MTM Total Values £m
BARCLAYS BANK	487.9	28.8	(54.9)	(26.1)
BNP PARIBAS BANK	461.5	33.6	(31.5)	2.1
BGL BNP PARIBAS	0.0	0.0	(39.3)	(39.3)
CBA BANK	112.9	38.3	0.0	38.3
HSBC BANK	233.0	0.0	(76.7)	(76.7)
JP MORGAN BANK	620.8	10.1	(175.0)	(164.8)
LLOYDS BANK CORPORATE MARKETS PLC	880.6	175.5	(92.9)	82.6
MORGAN STANLEY BANK	374.8	6.8	51.1	57.8
SANTANDER UK PLC	340.2	8.6	(23.7)	(15.2)
SCOTIA BANK	304.2	9.0	(59.1)	(50.1)
THE TORONTO-DOMINION BANK	64.2	8.9	0.0	8.9
SMBC BANK	150.5	1.9	(26.9)	(25.0)
EXTERNAL INVESTORS	0.0	0.0	(171.5)	(171.5)
Anglian Water Interest Derivatives	4,030.6	321.4	(700.6)	(379.2)

Notes
1. All Swaps are transacted under ISDA agreements between Anglian Water Services Financing Plc and External Swap
2. Valuations include accrued interest to valuation date.